NEW ISSUE — BOOK-ENTRY ONLY

Uninsured: Not Rated
Insured: A (Standard & Poor's)

In the opinion of Bond Counsel, under existing law and subject to conditions described in "TAX EXEMPTION" herein, interest on the 1999 Bonds (a) will not be included in gross income for Federal income tax purposes, (b) will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations, and (c) will be exempt from all District taxation except estate, inheritances and gift taxes. Such interest may be included in the calculation of a corporation's alternative minimum income tax, and a holder may be subject to other Federal tax consequences as described in "TAX EXEMPTION" herein.

$11,000,000
DISTRICT OF COLUMBIA
JAMES F. OYSTER ELEMENTARY SCHOOL
PILOT REVENUE BONDS, SERIES 1999

Dated: November 1, 1999 **Due: November 1, as shown below**

The District of Columbia James F. Oyster Elementary School PILOT Revenue Bonds, Series 1999 are being issued pursuant to the Oyster Elementary School Construction and Revenue Bond Act of 1998, as amended, and the Indenture of Trust between the District of Columbia and Norwest Bank Minnesota, N.A., as trustee, for the purposes of (i) financing certain Costs of the Project; (ii) paying certain costs incurred by the Board of Education of the District of Columbia; (iii) funding the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement; (iv) funding an amount sufficient to pay interest on the 1999 Bonds through October 31, 2001; and (v) paying costs of issuance of the 1999 Bonds, all as described herein. All capitalized terms used but not defined on this cover page shall have the respective meanings given to such terms herein.

The District is authorized under the Act to convey the Private Site to the Owner and to abate the payment of real property taxes thereon in exchange for the payment of monthly PILOT Payments to be made by the Owner. The Owner intends to build the Apartment Project on the Private Site and to make PILOT Payments to the Trustee for the benefit of the District to be used for the payment, when due, of principal of and interest on the 1999 Bonds.

The 1999 Bonds are special obligations of the District, secured by a lien on and pledge of, and payable solely from, (i) the PILOT Payments received by the District in connection with the Private Site, (ii) the assignment of rents and leases of the Apartment Project made to the District pursuant to the Assignment and (iii) the moneys and investments on deposit in the Debt Service Reserve Fund and in certain other funds and accounts established under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" herein.

Interest on the 1999 Bonds will accrue from November 1, 1999, and will be payable on May 1, 2000, and November 1, 2000, and semiannually thereafter on each May 1 and November 1 of each year to and including their respective dates of maturity or redemption. The 1999 Bonds will be issued as fully registered bonds initially under a book-entry-only system, registered in the name of Cede & Co., as nominee for The Depository Trust Company, which will act as securities depository for the 1999 Bonds. Purchases of the 1999 Bonds will be made in book-entry form, in denominations of $5,000 or any integral multiple of $5,000 in excess thereof. See "THE 1999 BONDS—Book-Entry-Only System" herein.

The 1999 Bonds are subject to redemption prior to maturity, as described under "THE 1999 BONDS—Redemption" herein.

The 1999 Bonds are subject to mandatory tender, in whole but not in part, at a price of par plus accrued interest pursuant to the terms of the Apartment Completion Guaranty, in the event that Apartment Completion has not occurred by November 1, 2002. In the event that the Owner fails to pay any monthly PILOT Payment, in full or in part, due on or before the earlier of Apartment Completion or October 25, 2002 which has not been paid by the Owner after notice and failure to cure the delinquency, pursuant to the terms of the Apartment Completion Guaranty, the Apartment Completion Guarantor is required to make payment of any unpaid monthly PILOT Payment to the Trustee. The Northwestern Mutual Life Insurance Company, pursuant to the terms of the Apartment Completion Guaranty, will pay the principal of and accrued interest on the 1999 Bonds in the event of a mandatory tender of the 1999 Bonds. The Apartment Completion Guaranty will expire on the earlier of the date of Apartment Completion or December 15, 2002, and on or after such date the 1999 Bonds will not be subject to mandatory tender. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS—Apartment Completion Guaranty" herein.

As more fully described under "BOND INSURANCE" herein, payment of the principal of and interest on the 1999 Bonds maturing on November 1, 2021, November 1, 2031 and November 1, 2034 when due will be guaranteed by a bond insurance policy to be issued simultaneously with the delivery of the Bonds by ACA FINANCIAL GUARANTY CORPORATION.

MATURITY SCHEDULE

$2,270,000 6.60% Term Bonds Maturing on November 1, 2015—Yield 6.65%
$1,770,000 6¼% Term Bonds Maturing on November 1, 2021—Yield 6⅜%*
$4,835,000 6¼% Term Bonds Maturing on November 1, 2031—Price 97½%*
$2,125,000 6.45% Term Bonds Maturing on November 1, 2034—Price 100%*

(Plus Accrued Interest)

AN INVESTMENT IN THE 1999 BONDS INVOLVES A DEGREE OF RISK. PROSPECTIVE BONDHOLDERS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" AND "BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 1999 BONDS.

THE 1999 BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT, PAYABLE SOLELY FROM THE PILOT PAYMENTS AND OTHER MONEYS PLEDGED SPECIFICALLY THERETO. THE 1999 BONDS ARE WITHOUT RECOURSE TO THE DISTRICT, ARE NOT A PLEDGE OF, AND DO NOT INVOLVE THE FULL FAITH AND CREDIT OR THE TAXING POWER OF THE DISTRICT, DO NOT CONSTITUTE A DEBT OF THE DISTRICT AND DO NOT CONSTITUTE LENDING OF THE PUBLIC CREDIT FOR PRIVATE UNDERTAKINGS AS PROHIBITED BY THE DISTRICT OF COLUMBIA HOME RULE ACT. PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 1999 BONDS IS NOT SUBJECT TO ANNUAL APPROPRIATION BY THE CONGRESS OF THE UNITED STATES OR THE COUNCIL OF THE DISTRICT OF COLUMBIA.

The 1999 Bonds are offered subject to prior sale, to withdrawal or to modification of the offer without notice, when, as and if issued and delivered by the District and received by the Underwriter, subject to the approval of certain legal matters relating to the issuance of the 1999 Bonds by Hunton & Williams, Washington, D.C., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its Corporation Counsel, for DCPS by its General Counsel, for the Authority by its General Counsel and for the Underwriter by its counsel, Nixon Peabody LLP, Washington, D.C. It is expected that the 1999 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about December 7, 1999.

PaineWebber Incorporated

November 24, 1999

*Insured by ACA Financial Guaranty Corporation

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations with respect to this offering, other than as contained in this Official Statement in connection with the offering of the 1999 Bonds and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 1999 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date thereof.

This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its location herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1999 BONDS AT A LEVEL WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE 1999 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

DISTRICT OF COLUMBIA

Anthony A. Williams
Mayor

EXECUTIVE OFFICERS

Norman Dong	Acting City Administrator
Valerie Holt	Chief Financial Officer
William Hall	Deputy Chief Financial Officer and Treasurer
Robert R. Rigsby	Interim Corporation Counsel
Charles C. Maddox	Inspector General
Natwar Gandhi	Deputy Chief Financial Officer for Tax and Revenue
Arlene Ackerman	Superintendent, District of Columbia Public Schools
Donald L. Rickford	Chief Financial Officer, District of Columbia Public Schools

COUNCIL

Linda W. Cropp	Chairman
Harold L. Brazil	At Large
David A. Catania	At Large
Phil Mendelson	At Large
Carol Schwartz	At Large
Jim Graham	Ward 1
Jack K. Evans	Ward 2
Kathleen Patterson	Ward 3
Charlene Drew Jarvis	Ward 4
Vincent B. Orange, Sr.	Ward 5
Sharon Ambrose	Ward 6
Kevin P. Chavous	Ward 7
Sandra Allen	Ward 8

DISTRICT OF COLUMBIA FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

Alice M. Rivlin, Ph.D., Chairman
Constance B. Newman, Vice-Chairman
Eugene Kinlow
Darius Mans, Ph.D.
Robert P. Watkins, Esq.

BOND COUNSEL
Hunton & Williams
Washington, D.C.

UNDERWRITER'S COUNSEL
Nixon Peabody LLP
Washington, D.C.

FINANCIAL ADVISORS

Columbia Equity Financial Corp., Washington, D.C.
Public Resource Advisory Group, New York, New York

INVESTOR RELATIONS

Lasana K. Mack, Associate Treasurer
Office of Finance and Treasury
441 4th Street, N.W., Suite 360N
Washington, D.C. 20001
Phone: (202) 727-6055
Fax: (202) 727-6049
E-mail: dcinvestorrelations@dcgov.org

[This Page Intentionally Left Blank]

TABLE OF CONTENTS

OFFICIAL STATEMENT

$11,000,000
DISTRICT OF COLUMBIA
JAMES F. OYSTER ELEMENTARY SCHOOL
PILOT REVENUE BONDS, SERIES 1999

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, is furnished in connection with the issuance by the District of Columbia (the "District") of its $11,000,000 James F. Oyster Elementary School PILOT Revenue Bonds, Series 1999 (the "1999 Bonds"). The offering of the 1999 Bonds is made only by way of this Official Statement, which supersedes any other information or material used in connection with the offer or sale of the 1999 Bonds. Certain capitalized terms used and not defined in this Introductory Statement are defined elsewhere in this Official Statement or in Appendix B — "CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE DEVELOPMENT AGREEMENT, THE REPLACEMENT DEVELOPER AGREEMENT, THE DISPOSITION AGREEMENT, THE ASSIGNMENT AGREEMENT AND THE APARTMENT COMPLETION GUARANTY" herein.

This Introductory Statement contains only a brief summary of certain of the terms of the 1999 Bonds and a brief description of certain material contained elsewhere in this Official Statement. A full review should be made of the entire Official Statement (including the Appendices hereto). All statements contained in this Introductory Statement are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the laws of the District of Columbia or any documents do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof.

Authorization .... The 1999 Bonds are being issued pursuant to an act of the Council of the District of Columbia (the "Council") entitled the "Oyster Elementary School Construction and Revenue Bond Act of 1998," D.C. Law 12-421, and the acts amendatory and supplemental thereto (the "Act"), and under and pursuant to an Indenture of Trust between the District and Norwest Bank Minnesota, N.A., as trustee (the "Trustee"), dated as of November 1, 1999 (the "Indenture"). The issuance and sale of the 1999 Bonds are subject to approval by the District of Columbia Financial Responsibility and Management Assistance Authority (the "Authority").

The Project.. Pursuant to the Act, the District is authorized to enter into the Development Agreement to engage the Developer to demolish the Old School and to construct the New School (collectively, the "New School Project") to be funded by the issuance of bonds by the District for the benefit of the Board of Education of the District of Columbia (District of Columbia Public Schools, hereinafter referred to as "DCPS"). As partial consideration for the Developer's execution of the Development Agreement, the District is further empowered under the Act to convey the Private Site to the Owner and to abate payment of real property taxes otherwise due on the Private Site and to require the payment of PILOT Payments with respect to the Private Site to the District in an amount sufficient to pay principal of and interest on the 1999 Bonds during the PILOT Period in accordance with the payment schedule for the 1999 Bonds. For a description of the financing of the Project, see "THE PROJECT – Financing of the Project" herein. For a description of the Private Site with respect to which the PILOT Payments are payable, see "THE PROJECT – The Apartment Project" herein.

Purpose of the 1999 Bonds .... The 1999 Bonds are being issued for the purposes of (i) financing certain Costs of the Project; (ii) paying certain costs incurred by DCPS; (iii) funding the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement; (iv) funding an amount sufficient to pay interest on the 1999 Bonds through October 31, 2001; and (v) paying costs of issuance of the 1999 Bonds. See "PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security and Sources of Payment for the 1999 Bonds .... The 1999 Bonds are special obligations of the District, secured by and payable solely from a lien on and pledge of (i) annual payments from the Owner payable in monthly installments to the District in accordance with the Act and in amounts sufficient to fully amortize the 1999 Bonds (the "PILOT Payments") for a period of years commencing on the date of issuance of the 1999 Bonds and ending on the earlier of (a) the date of final maturity for the 1999 Bonds when initially issued or (b) 35 years (the "PILOT Period"), (ii) the assignment of rents and leases of the Apartment Project and (iii) the moneys and investments on deposit in the Debt Service Reserve Fund and in certain other funds and accounts established under the Indenture. THE 1999 BONDS DO NOT CONSTITUTE A DEBT OF THE DISTRICT AND THE DISTRICT IS NOT LIABLE THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT IS PLEDGED TO THE PAYMENT OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 1999 BONDS. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" herein.

Bond Insurance .... The payment of principal of and interest on the 1999 Bonds maturing on November 1, 2021, November 1, 2031 and November 1, 2034 (collectively, the "Insured Bonds") is insured by a bond insurance policy (the "Policy") to be provided by ACA Financial Guaranty Corporation (the "Bond Insurer"). THE 1999 BONDS MATURING ON NOVEMBER 1, 2015 ARE NOT INSURED. For additional information regarding the Bond Insurer and the terms of the Policy, see "BOND INSURANCE" and Appendix E — "FORM OF SPECIMEN BOND INSURANCE POLICY."

Payment Provisions... Principal of the 1999 Bonds is payable on the maturity dates set forth on the cover of this Official Statement. Interest on the 1999 Bonds, calculated on the basis of a 360-day year of twelve 30-day months at the rates set forth on the cover of this Official Statement, is payable semiannually on May 1 and November 1 of each year commencing May 1, 2000. See "THE 1999 BONDS" herein.

Redemption Provisions .... The 1999 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described under "THE 1999 BONDS – Redemption" herein.

Mandatory Tender .... The 1999 Bonds are subject to mandatory tender prior to maturity as described under "THE 1999 BONDS — Mandatory Tender" herein.

Apartment Completion Guaranty .... The Northwestern Mutual Life Insurance Company (the "Apartment Completion Guarantor") will provide a Guaranty (the "Apartment Completion Guaranty") pursuant to which the Apartment Completion Guarantor will (i) purchase the 1999 Bonds, in whole but not in part, at a price of par plus accrued interest, in the event that Apartment Completion has not occurred by November 1, 2002, and (ii) pay any monthly PILOT Payment, in full or in part, due on or before the earlier of Apartment Completion or October 25, 2002 which has not been paid by the Owner, after notice and failure to cure the delinquency pursuant to the terms of the Apartment Completion Guaranty. The Apartment Completion Guaranty will expire on the earlier of the date of Apartment Completion or December 15, 2002, and on and after such date the 1999 Bonds will not be subject to mandatory tender. For additional information on the Apartment Completion Guaranty, see "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS—Apartment Completion Guaranty" herein. For information on the Apartment Completion Guarantor, see "THE DEVELOPMENT TEAM — Apartment Completion Guarantor" herein.

The Development Agreement .... LCOR New Oyster School L.L.C., a Delaware limited liability company (the "Developer"), entered into a Development Agreement with DCPS and the District to become effective on the date of issuance of the 1999 Bonds (the "Closing Date") and a Replacement Developer Agreement to become effective on the Closing Date among the Developer, the Apartment Completion Guarantor, DCPS and the District (collectively, the "Development Agreement") for the demolition of the Old School and the development, planning, design, construction and equipping of the New School. As partial consideration for entering into the Development Agreement, the District is entering into the Disposition Agreement with the Owner, as described below.

The Disposition Agreement .... Pursuant to a Disposition Agreement (the "Disposition Agreement") to become effective on the Closing Date between the District and Henry Adams House Apartments LLC, a Delaware limited liability company and an affiliate of the Developer ("Henry Adams"), the District will transfer approximately 0.88 acres of the Old School Site (the "Private Site") to Henry Adams for the construction thereon of the Apartment Project. The Old School Site is located at the northeast corner of 29th and Calvert Streets, N.W., Washington, D.C. Pursuant to the Disposition Agreement, in lieu of the payment of real property tax on the Private Site, the record owner of the Private Site (the "Owner") is obligated to make PILOT Payments to the District in amounts sufficient to pay regularly scheduled principal and interest on the 1999 Bonds as they become due. Henry Adams will be the initial Owner of the Private Site. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" herein.

The Apartment Project	Henry Adams expects to build the Apartment Project and make the initial units therein available for rental to prospective tenants by June 1, 2001. The Apartment Project is expected to contain approximately 211 residential units consisting of 42 two-bedroom apartments, 23 one-bedroom with den apartments, 125 one-bedroom apartments and 21 efficiency apartments. The Apartment Project is expected to have a business center, a party and meeting room, an exercise facility, a rooftop terrace and approximately 214 below-grade parking spaces. The Appraiser estimates the prospective market value of the completed Apartment Project upon stabilization on August 1, 2002, to be not less than $37,000,000. For a more detailed description of the Apartment Project and the anticipated levels and sources of revenue to be derived from the Apartment Project, see "THE PROJECT – The Apartment Project" herein and Appendix A — "APPRAISAL."
The New School	The Developer is expected to complete construction (subject to punch list items aggregating less than $50,000) of the New School by April 2, 2001, subject to certain extension rights in the Development Agreement. Pursuant to the terms of the Development Agreement, delays in the construction of the New School may result in delays in construction or Apartment Completion. The New School, to be known as the James F. Oyster Elementary School, will be an approximately 47,000 square foot building built on approximately 0.79 acres of the Old School Site for the benefit of DCPS (the "New School Site"). The New School will accommodate approximately 350 students from pre-kindergarten through grade 6. For additional information on the New School, see "THE PROJECT—General" and "— the Development Agreement" herein.
New School Completion Guaranty	LCOR Incorporated, a Pennsylvania corporation (the "New School Guarantor"), is entering into the New School Guaranty whereby the New School Guarantor has guaranteed (i) that the New School will be completed (subject to punch list items aggregating less than $50,000) by April 2, 2001, subject to certain extension rights in the Development Agreement; and (ii) that no events of default by the Developer under the Development Agreement or the Environmental Agreement and Indemnity to become effective on the Closing Date between the Developer and the District (the "Environmental Agreement") will occur and continue beyond the notice and cure periods specified in the Development Agreement and the Environmental Agreement, respectively. For additional information on the New School Guarantor, see "THE DEVELOPMENT TEAM — Henry Adams, the Developer and the New School Guarantor" herein.
Income Tax Treatment of the 1999 Bonds	In the opinion of Hunton & Williams, Bond Counsel, interest on the 1999 Bonds will be excluded from gross income for federal income tax purposes and will be exempt from District of Columbia taxes, except estate, inheritance and gift taxes. See "TAX EXEMPTION" herein.
Continuing Disclosure	The Owner agrees to annually provide certain financial information and operating data relating to the Apartment Project.

The District agrees to provide notice of certain enumerated events. The specific nature of the information to be provided by the Owner and the enumerated events to be disclosed by the District are set forth in Appendix D — "FORM OF CONTINUING DISCLOSURE." Also see "CONTINUING DISCLOSURE" herein.

Appraisal .... Cushman & Wakefield of Washington, D.C., Inc., the Appraiser, has prepared the Complete Appraisal of Real Property dated as of April 20, 1999, as supplemented by the Limited Appraisal of Real Property dated as of November 1, 1999 (collectively, the "Appraisal"), for the purpose of analyzing the residential apartment building market in the section of the District in which the Apartment Project will be built, describing the Apartment Project and projecting the level of anticipated revenues to be generated by the Apartment Project. The Appraisal should be read in its entirety. For additional information on the Appraisal, see "APPRAISAL" herein and Appendix A — "APPRAISAL".

Miscellaneous .... The information in this Official Statement (including the appendices hereto) concerning the District has been supplied by the District, and the Underwriter has made no independent verification of such information. The Appraisal prepared by the Appraiser is set forth in Appendix A to this Official Statement. Summaries of certain provisions of the Indenture, the Development Agreement, the Disposition Agreement, the Apartment Completion Guaranty and the Assignment Agreement are set forth in Appendix B to this Official Statement. The form of approving legal opinion of Hunton & Williams, Washington, D.C., Bond Counsel, is set forth in Appendix C to this Official Statement. The form of Continuing Disclosure Agreement to be entered into by the District and Henry Adams for the benefit of the holders of the 1999 Bonds is set forth in Appendix D to this Official Statement.

THE PROJECT

General

The 1999 Bonds are being issued to finance a project (the "Project") consisting of (i) the demolition of the existing James F. Oyster Elementary School building (the "Old School") located on approximately 1.67 acres of land at the northeast corner of 29th and Calvert Streets, N.W., Washington, D.C. (the "Old School Site"), (ii) the construction and equipping of a new approximately 47,000 square foot James F. Oyster Elementary School building (the "New School") on a portion of the Old School Site, (iii) certain payments to DCPS and the 21st Century School Fund, and (iv) a payment to the Developer for certain development fees in connection with the construction of the New School by the Developer pursuant to the Development Agreement (collectively, the "Costs of the Project"). The 1999 Bonds are being issued pursuant to the Act and the Indenture.

Financing of the Project

Pursuant to the Act, the District is authorized to fund the demolition of the Old School and the development, planning, design, construction and equipping of the New School through the issuance of one or more series of bonds for the benefit of DCPS in an aggregate principal amount not to exceed $11,000,000. To accomplish the demolition of the Old School and the construction and equipping of the New School, (i) the District and DCPS are authorized, upon the approval of the Mayor of the District and upon the approval of the Authority, to enter into a Development Agreement with the Developer engaging the Developer to demolish the Old School and to construct the New School on approximately 0.79 acres of the Old School Site and (ii) the District, upon the approval of the Authority, is authorized to enter into the Disposition Agreement with Henry Adams whereby approximately 0.88 acres of the Old School Site (the "Private Site") will be transferred by the District to Henry Adams and upon which Henry Adams intends to construct the Henry Adams House, a rental apartment complex containing approximately 211 residential units (the "Apartment Project").

The District is further empowered under the Act to abate payment of real property taxes on the Private Site in exchange for the Owner's agreement to make PILOT Payments in connection with such property, which PILOT Payments shall be sufficient to pay the principal of and interest on the 1999 Bonds for the lesser of the original term of the 1999 Bonds or 35 years (the "PILOT Period"). Payment of the principal of and interest on the 1999 Bonds will be secured solely by the PILOT Payments and all of the moneys and investments on deposit in the Debt Service Reserve Fund and in the other funds and accounts (other than the Arbitrage Rebate Fund) established under the Indenture and by the assignment of leases and rents generated by the Apartment Project. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" herein.

The Disposition Agreement provides that commencing the 24th month after the issuance of the 1999 Bonds, the Owner is required to make monthly PILOT Payments to the Trustee for the benefit of the District, which are to be used to pay principal of and interest on the 1999 Bonds during the PILOT Period. The Disposition Agreement provides that a memorandum of the PILOT Payment provisions is to be recorded in the appropriate land records of the District of Columbia and provides that the Owner shall remain obligated to make the PILOT Payments during the PILOT Period. Accordingly, any successor owner of the Private Site will be obligated to make the PILOT Payments. The Disposition Agreement also obligates the Owner to cause leases and rental income generated by the Project to be pledged to secure the PILOT Payment obligations. The PILOT payments and lease and rent assignments are covenants that burden and run with the land constituting the Private Site. For additional information on the PILOT Payments and the Owner's obligation to make monthly PILOT Payments, see "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" herein.

The Apartment Project

Pursuant to the Disposition Agreement, the Private Site, on which the Owner intends to construct the Apartment Project, will be conveyed to Henry Adams on the Closing Date. Henry Adams has entered into a General Contracting Services Agreement with Donohoe Construction Company, A Division of The Donohoe Companies, Inc. (the "General Contractor"), whereby the General Contractor has contracted to construct and equip the Apartment Project and to make the initial units therein available to prospective tenants by June 1, 2001, subject to certain extensions as provided therein. For additional information on the General Contractor, see "THE DEVELOPMENT TEAM — The General Contractor" herein.

The Apartment Project is expected to contain approximately 211 residential units consisting of 42 two-bedroom apartments, 23 one-bedroom with den apartments, 125 one-bedroom apartments and 21 efficiency apartments. The Apartment Project is expected to have a business center, a party and meeting room, an exercise facility, a rooftop terrace and approximately 214 below-grade parking spaces. Upon Apartment Completion, the Appraiser has estimated that the Apartment Project, will have a prospective market value upon stabilization, as of August 1, 2002, of not less than $37,000,000. For a more detailed description of the Apartment Project, the market value of the Apartment Project, the anticipated levels and sources of revenue to be derived from the Apartment Project, the demographics of the neighborhood in which the Apartment Project is to be built, and comparable residential buildings located in the neighborhood in which the Apartment Project is to be built, see Appendix A – "APPRAISAL."

The Development Agreement

General. Pursuant to the Development Agreement, the Developer has agreed to demolish the Old School and to construct and equip the New School (subject to punch list items aggregating less than $50,000) by April 2, 2001, as such date may be extended pursuant to the Development Agreement. Subject to certain exceptions provided therein, pursuant to the Development Agreement, the Developer is required to construct the New School at a rate such that progress in construction of the Apartment Project shall never be greater than 75% of the progress in construction of the New School until the Completion Date (as defined in the Development Agreement) of the New School. Pursuant to the Development Agreement, in the event that the Completion Date of the New School has not occurred on or before April 2, 2001 (as such date may be extended pursuant to the Development Agreement), the Developer shall pay to DCPS a late delivery fee of $5,000 per day until construction of the New School is completed or the Development Agreement is terminated. Pursuant to the Replacement Developer Agreement, the Apartment Completion Guarantor has the right to replace the Developer if the Developer fails to meet certain construction milestones established by the Apartment Completion Guarantor and if the Developer does not cure such failure within sixty days. The failure to meet such construction milestones does not constitute an event of default under the Development Agreement. The Development Agreement provides that it may not be terminated without cause.

The James F. Oyster Elementary School. The James F. Oyster Elementary School (the "School") is a nationally recognized dual language (English and Spanish) public school operated by DCPS. The School, which opened in 1926, has approximately 326 students enrolled in pre-kindergarten through grade 6 during the current 1999-2000 academic year. The School's classes, until June, 1998, were held in the Old School, which contains approximately 26,700 square feet of program space. Students of the School are temporarily located at "Oyster at K.C. Lewis," a public school facility of the District, located at 300 Bryant Street, N.W., Washington, D.C., which is being used by the School until completion of the New School. The New School is expected to be equipped with 14 grade-level classrooms for the accommodation of up to 350 students; one self-contained special education classroom and support space; three special purpose resource classrooms for art, music and computer instruction; multipurpose media/library and physical education spaces; and administrative and building support areas. In addition, outdoor facilities adjacent to the New School will be created for environmental study, athletic programs and recreational areas.

Events of Default. Upon the occurrence of an event of default under the Development Agreement (collectively, the "Development Agreement Events of Default"), DCPS may elect to terminate the Development Agreement, cause the Developer to cease work on the Project and vacate the New School Site, and engage the Apartment Completion Guarantor to complete the New School. Under the Replacement Developer Agreement, in certain circumstances DCPS has the right to terminate the engagement of the Apartment Completion Guarantor and to engage a successor replacement developer. The failure to complete construction of the New School (subject to punch list items aggregating less than $50,000) by April 2, 2001, as such date may be extended as provided by the Development Agreement, may result in a delay in the Apartment Completion. For a further description of the terms of the Development Agreement and a description of the Development Agreement Events of Default, see Appendix B — "CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE DEVELOPMENT AGREEMENT, THE REPLACEMENT DEVELOPER AGREEMENT, THE DISPOSITION AGREEMENT, THE ASSIGNMENT AGREEMENT AND THE APARTMENT COMPLETION GUARANTY — The Development Agreement" herein.

Costs of the Project

The Developer forecasts the total costs of the Project will be as set forth below:

Total Project Costs		
New School GMP		$6,730,000
Contingency		81,200
Costs of Fixtures, Furnishings and Equipment		400,000
Payment to Project Manager		100,000
Payment to 21st Century School Fund		200,000
Payment to DCPS/Remediation		445,000
Other Soft Costs		1,268,000
	Total	$9,224,200

New School Completion Guaranty

The New School Guarantor has entered into a Guaranty of Performance (the "New School Guaranty") for the benefit of DCPS whereby the New School Guarantor has guaranteed (i) that the New School will be completed (subject to punch list items aggregating less than $50,000) by April 2, 2001, subject to certain extension rights in the Development Agreement and (ii) that no events of default by the Developer under the Development Agreement or the Environmental Agreement will occur and continue beyond the notice and cure periods specified in the Development Agreement and the Environmental Agreement, respectively.

The Construction Contract

On August 9, 1999, the Developer and the General Contractor entered into a General Contracting Services Agreement (the "School Agreement") for the New School Project, which included a guaranteed maximum price ("GMP"), and Henry Adams entered into a separate General Contracting Services Agreement for the Apartment Project (the "Apartment Agreement", collectively with the School Agreement, the "Construction Agreements"), which also included a GMP. The New School GMP, in the amount of $6,730,000, is for construction of the New School in accordance with the plans and specifications set forth in the Development Agreement. The Apartment Project GMP, in the amount of $22,542,000, is for construction of the Apartment Project in accordance with existing plans and specifications. The risk to the Developer or the Owner of a price increase to the GMP for its respective Construction Agreement is limited to unforeseen site conditions, and changes to the contract documents directed by it.

The Supervising Architect

DCPS and the Developer selected Frank Reifsnyder, an architect licensed in the District of Columbia, to serve as supervising architect in connection with the construction of the New School by the Developer (the "Supervising Architect"). Pursuant to the Development Agreement, the Supervising Architect has the authority to reject any work performed by the Developer that is not in conformity with the Development Agreement and to require that such work be corrected to the satisfaction of the Supervising Architect. In addition, pursuant to the Development Agreement, the Supervising Architect's duties include certifying Completion of the New School, resolving disputes regarding change orders and conducting inspections of work completed on the New School.

Contamination at the Old School Site

In September 1999, subsurface soil contamination by petroleum hydrocarbons was discovered at the Old School Site (the "Contamination"). The District, DCPS, the Developer and Henry Adams believe that the existence of the Contamination is the result of seepage of petroleum from one or more underground storage tanks located or previously located on a parcel of land adjacent to the Old School Site (the "Adjacent Parcel"). The District, DCPS, the Developer and Henry Adams have entered into a Remediation Agreement of even date with the Development Agreement (the "Remediation Agreement") whereby the Developer and Henry Adams have agreed to remove the Contamination from their respective portions of the Old School Site. A preliminary report prepared by ATC Associates, Inc. estimates the cost of remediation to range between approximately $274,000 and $456,000. Pursuant to the Remediation Agreement, DCPS has agreed to pay the first $445,000 of clean-up costs incurred in connection with the removal of the Contamination. The Developer and Henry Adams have agreed to pay for any costs in connection with the removal of the Contamination that exceed $445,000. The District, DCPS, the Developer and Henry Adams expect to seek reimbursement of clean-up costs from the owner of the Adjacent Parcel (the "Adjacent Parcel Owner"). If such reimbursement is not forthcoming, the District, DCPS, the Developer and/or Henry Adams may bring administrative or judicial action against the Adjacent Parcel Owner or any other person that may be determined to be liable or otherwise responsible for the reimbursement of the costs associated with the removal of the Contamination.

THE DEVELOPMENT TEAM

Henry Adams, the Developer and the New School Guarantor

General. The Developer is wholly owned by LCOR Operating Company LLC ("LCOR Operating"), which, in turn, is 40% owned by LCOR Public/Private L.L.C. ("LCOR Public/Private"), a wholly-owned subsidiary of LCOR Holdings L.L.C. ("LCOR Holdings"), and 60% owned by PAMI Public/Private I Inc. ("PAMI"), a wholly-owned indirect subsidiary of Lehman Brothers Holdings Inc. ("Lehman").

LCOR Holdings is 95% owned by four principals, Eric Eichler, Chairman; Peter DiLullo, President and Chief Executive Officer; Kurt Eichler, Executive Vice President; and R. William Hard, Executive Vice President (collectively, the "LCOR Principals"), with the other 5% being owned by the New School Guarantor, which is owned by Eric Eichler, Peter DiLullo and Kurt Eichler.

Henry Adams is 60% owned by The Northwestern Mutual Life Insurance Company and is 40% owned by LCOR Henry Adams House LLC, which is 40% owned by LCOR Public/Private and 60% owned by PAMI. The Northwestern Mutual Life Insurance Company is the Apartment Completion Guarantor and is also providing the financing for the Apartment Project. See "The Apartment Completion Guarantor" below in this section, "THE DEVELOPMENT TEAM."

One or more of the LCOR Principals have been engaged in the real estate development business for a period of over 20 years as officers, directors, partners and shareholders of numerous partnerships, corporations and limited liability companies that have collectively owned, developed, managed and financed residential and commercial real estate under the names "Linpro" and "LCOR" (collectively, the "LCOR Entities").

Typically, each of the LCOR Entities held or holds a single multifamily residential complex, commercial building, parcel of land, or an interest in a joint venture owning such property. Other LCOR Entities have been or are engaged in property management or administration. Since 1992, the New School Guarantor, headquartered in Berwyn, Pennsylvania, has been the primary entity providing centralized support services to the LCOR Entities, which now number approximately 100. Such services include marketing, accounting, data processing, payroll, legal, tax and management. In their capacities as officers of LCOR Public/Private, which acts as Managing Member of LCOR Operating, the LCOR Principals will have primary responsibility for the day-to-day operations of the Developer.

Since 1978, the LCOR Entities have developed approximately 11,000 rental residential apartment units and 14 million square feet of commercial space. The LCOR Principals have experience in the development and management of planned unit developments, multifamily and recreational homes, urban high-rise office buildings, suburban office parks, distribution and manufacturing facilities, and retail centers, as well as special use facilities such as airports, golf courses, a college dormitory and a sewage treatment plant. Such projects include, for example, Princeton Meadows, a 1000-acre mixed use planned community located in Plainsboro, New Jersey, developed by the LCOR Entities over a period of approximately twenty years and encompassing 4,136 rental apartment units, 1,248 condominiums and townhouses, 222,500 square feet of commercial space, a 66,100 square foot neighborhood shopping center, a golf course and clubhouse, and a sewage treatment plant. The LCOR Entities have developed, owned and managed properties in 15 states and the District of Columbia, and are particularly active in the greater Washington, D.C. metropolitan area. The LCOR Entities' Bethesda, Maryland office is presently their second largest regional office.

Lehman is a global investment bank with emphasis in corporate finance, advisory services, municipal finance and fixed income and equity sales, trading and research. Lehman serves the financial needs of corporate, government and institutional clients, and high-net-worth individuals through offices in major financial centers worldwide.

Henry Adams will be the initial owner of the Apartment Project and is the sole LCOR Entity responsible for the payment of the PILOT Payments which constitute the source of repayment of the 1999 Bonds. The Developer is the contract developer for the New School pursuant to the Development Agreement and the Developer and the New School Guarantor, as provider of the New School Guaranty, are the sole LCOR Entities responsible for the development of the New School. Neither LCOR Operating, LCOR Property, LCOR Public/Private, LCOR Holdings, the New School Guarantor, PAMI, PAMI II, Lehman, nor any LCOR Principal is obligated or liable with respect to the PILOT Payments and neither LCOR Operating, LCOR Property, LCOR Public/Private, LCOR Holdings, PAMI, PAMI II, Lehman, nor any LCOR Principal is obligated or liable with respect to the Developer's performance under the Development Agreement with respect to the New School. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS."

Management Team of the LCOR Entities.

Eric Eichler, Chairman, 64: Graduate of Dartmouth College, B.A. Mr. Eichler administers the policies and corporate functions of the LCOR Entities and chairs LCOR Holdings' Executive Committee. Mr. Eichler is the founder of the LCOR Entities. Mr. Eichler has been affiliated with the LCOR Entities for over 30 years.

Peter DiLullo, President/Chief Executive Officer, 48: Graduate of Villanova University, B.S. Mr. DiLullo directs the LCOR Entities' financial matters including financing, corporate accounting, tax, and legal and corporate administration. Mr. DiLullo is a member of LCOR Holdings' Executive Committee. Mr. DiLullo has been affiliated with the LCOR Entities for over 18 years.

Kurt Eichler, Executive Vice President, 42: Graduate of the University of Wyoming, B.S. Mr. Eichler directs the LCOR Entities' business in the New York region. Mr. Eichler has been responsible for a number of the LCOR Entities' projects, including the completion of a 42-story office building in Jersey City, New Jersey, and the completion of a federal office building at Foley Square and the initial phases of the Penn Station Redevelopment Project, both in New York, New York. Mr. Eichler is a member of LCOR Holdings' Executive Committee. Mr. Eichler has been affiliated with the LCOR Entities for over 17 years.

R. William Hard, Executive Vice President, 49: Graduate of Lafayette College, B.A.; University of Pennsylvania, M.A. Mr. Hard directs the LCOR Entities' business in the Washington, D.C., region. Mr. Hard is a member of LCOR Holdings' Executive Committee. Mr. Hard has been affiliated with the LCOR Entities for over 18 years.

Michael T. Goulder, Senior Vice President - Finance and Capital Markets, 42: Graduate of Reed College, B.A.; Dartmouth College, M.B.A. Mr. Goulder arranges financing for the LCOR Entities' projects. Mr. Goulder has been affiliated with the LCOR Entities for over six years.

Timothy D. Smith, Vice President, 47: Graduate of the University of Pennsylvania, B.A.; Columbia University, M.B.A. Mr. Smith directs and administers certain of the LCOR Entities' development activities in the Washington, D.C. region. Mr. Smith has been actively involved in the acquisition, planning and development of a number of the LCOR Entities' major projects, including the COMSAT Corporate Campus and White Flint East, and all of the LCOR Entities' highrise multi-family residential projects in the Washington, D.C. region. Mr. Smith has been affiliated with the LCOR Entities for over five years.

The General Contractor

Donohoe Construction Company, A Division of The Donohoe Companies, Inc., is the General Contractor for the construction of the New School and the Apartment Project. Established in 1955, the General Contractor is a privately held general contractor headquartered in the District, specializing in hotel, commercial, multi-family residential, school, healthcare and senior-living construction in the mid-Atlantic region. The General Contractor has constructed over 1,000 projects, developing over $800 million in real estate and managing over 6 million square feet of office and retail space. The General Contractor's experience includes construction of 32 school projects and 34 apartment projects.

The General Contractor is required to obtain various insurance policies, including, general liability insurance with a single limit per occurrence of $10,000,000, and to require subcontractors to carry certain insurance, including general liability insurance with a single limit per occurrence of $2,000,000.

The Apartment Completion Guarantor

The Northwestern Mutual Life Insurance Company (the "Apartment Completion Guarantor"), a Wisconsin corporation, is a life insurance company having total assets of $77.9 billion at December 31, 1998. At December 31, 1998, the Apartment Completion Guarantor had $535.7 billion aggregate amount of individual life insurance policies in force. The Apartment Completion Guarantor has ratings of "Aaa", "AAA," "AAA" and "A++" from Moody's

Investors Service, Inc., Standard & Poor's Ratings Services, Duff & Phelps Credit Rating Co. and A.M. Best Company, respectively. The Apartment Completion Guarantor owns 60% of Henry Adams.

The financial statements included as exhibits to the annual reports filed by the Apartment Completion Guarantor with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements, if any, filed from the date of this Official Statement to the termination of the offering of the 1999 Bonds. Copies of materials incorporated by reference will be provided upon request by The Northwestern Mutual Life Insurance Company, 720 East Wisconsin Avenue, Milwaukee, Wisconsin 53202.

PLAN OF FINANCE AND ESTIMATED SOURCES AND USES OF FUNDS

The 1999 Bonds are being issued for the purpose of providing funds (i) to finance certain costs related to the demolition of the Old School and the construction and equipping of the New School; (ii) to pay certain costs incurred by DCPS; (iii) to fund the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement; (iv) to fund an amount sufficient to pay interest on the 1999 Bonds through October 31, 2001; and (v) to pay costs of issuance of the 1999 Bonds.

The following table sets forth estimated sources and uses of funds:

Sources of Funds:	
Principal Amount of the 1999 Bonds	$11,000,000.00
Less: Original Issue Discount	(158,183.60)
Net Proceeds of the 1999 Bonds	10,841,816.40
Accrued Interest (a)	69,969.50
Interest Earnings (b)	282,518.03
Developer's Contribution	760,000.00
Total Sources of Funds	11,954,303.93
Uses of Funds:	
Projects Costs	$9,224,200.00
Deposit to Interest Account (a)	69,969.50
Capitalized Interest	1,155,047.75
Deposit to Debt Service Reserve Fund	805,505.00
Costs of Issuance (c)	699,581.68
Total Uses of Funds	$11,954,303.93

(a) Accrued interest will be deposited in the Interest Account of the Bond Fund and applied to pay the first installment of interest due on the 1999 Bonds.

(b) Balances held in the Construction Fund will be invested during the construction period. The interest rate for all invested proceeds is forecasted to be approximately 5.68 percent.

(c) Amount includes underwriter's discount, bond insurance premium, legal, printing and trustee fees and other expenses of the offering.

SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS

Sources of Payment

The 1999 Bonds are special obligations of the District, secured by a lien on and pledge of, and payable solely from, (i) the PILOT Payments made by the Owner to the Trustee for the benefit of the District, including interest thereon on deposit in the Revenue Fund, (ii) the assignment of rents and leases of the Apartment Project made to the District pursuant to the Assignment and (iii) the moneys and investments on deposit in the Debt Service Reserve Fund and in the other funds and accounts (other than the Arbitrage Rebate Fund) established under the Indenture.

Pursuant to the Disposition Agreement, the Owner is obligated to assign to the District for the benefit of the Trustee as security for the PILOT Payments its right, title and interest in (i) the rental payments due to the Owner from tenants of the Apartment Project and (ii) the leases entered into between the Owner and tenants of the Apartment Project (collectively, the "Additional Collateral"). Such assignment (the "Assignment") may take the form of a sub-assignment from a lender or other entity to whom the leases and rents are pledged as long as the rights assigned to the District are recognized as primary. Upon issuance of the 1999 Bonds, the Assignment will be in the form of an Absolute Assignment of Leases and Rents, between the Owner and the Apartment Completion Guarantor, to become effective on the Closing Date (the "Absolute Assignment of Leases and Rents"), whereby the Owner has assigned to the Apartment Completion Guarantor the leases and rents from the Apartment Project, and a Sub-Assignment of Leases and Rents, between the Apartment Completion Guarantor and the District, to become effective on the Closing Date (the "Sub-Assignment of Leases and Rents," together with the Absolute Assignment of Leases and Rents, the "Assignment Agreement"), whereby the Apartment Completion Guarantor has agreed to grant a sub-assignment to the District.

In the event that any of the PILOT Payments is not made, after notice and an opportunity to cure such failure the District is required to exercise any and all rights to receive such payment, including the exercise of its rights to receive amounts under the Assignment, or remedies similar to the District's remedies for non-payment of real estate taxes. In the event that the District fails to take action to enforce such payment obligations, the Trustee is required to pursue the District's remedies under the Disposition Agreement. See "— Remedies in the Event of the Owner's Non-Payment of the PILOT Payments" herein and Appendix B — "CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE DEVELOPMENT AGREEMENT, THE REPLACEMENT DEVELOPER AGREEMENT, THE DISPOSITION AGREEMENT, THE ASSIGNMENT AGREEMENT AND THE APARTMENT COMPLETION GUARANTY" herein.

The 1999 Bonds are special obligations of the District payable solely from the PILOT Payments and other moneys pledged specifically thereto. The 1999 Bonds are without recourse to the District, are not a pledge of, and do not involve the full faith and credit or the taxing power of the District, do not constitute a debt of the District and do not constitute lending of the public credit for private undertakings as prohibited by the Home Rule Act. Payment of the principal of and interest on the 1999 Bonds is not subject to annual appropriation by the Congress of the United States or the Council of the District of Columbia. The principal or redemption price of and interest on the 1999 Bonds are payable solely from the PILOT Payments, amounts collected pursuant to the Assignment, accounts and funds held under the Indenture (except the Arbitrage Rebate Fund) and the interest earnings thereon, and in limited circumstances, the Apartment Completion Guaranty.

Pledge of PILOT Payments

The PILOT Payments are to be made by the Owner pursuant to the Disposition Agreement. Pursuant to the Act, the Indenture and the Disposition Agreement, the Owner is required to pay monthly installments of the PILOT Payments equal to one-twelfth (1/12) of the principal and interest scheduled to be due and payable on the 1999 Bonds within each given twelve-month period during the PILOT Period commencing November 25, 2001. PILOT Payments are to be made by the Owner regardless of the level of rents generated by the Apartment Project. The Owner is not personally liable for the PILOT Payments to the same extent that real property owners in the District are not personally liable for the payment of real property taxes.

Pursuant to the Act, the PILOT Payments shall constitute a prior and preferred claim over all other claims against the Apartment Project. If the Owner fails to make any monthly installment of the PILOT Payments, the obligation to make the PILOT Payments may be enforced by the District, or if the District fails to act, by the Trustee, in the same manner as delinquent real property taxes may be enforced by the District or in accordance with such other remedies as set forth in the Act, the Indenture and the Disposition Agreement. In accordance with the Disposition Agreement, if the Owner defaults in the payment of any monthly installment of the PILOT Payments, the entire annual PILOT Payments for the Bond Year in which such default occurred may become due and payable.

On each date on which principal of or interest on the 1999 Bonds is due and payable, the PILOT Payments made by the Owner and all earnings thereon and amounts in the Debt Service Reserve Fund, if necessary, will be applied to the payment of principal of the 1999 Bonds, interest due thereon and all other amounts payable under the 1999 Bonds. In the event that all principal of and interest due on the 1999 Bonds and costs in connection therewith are paid prior to the date of maturity, the Owner is obligated to continue to make PILOT Payments and the abatement of real property taxes on the Private Site will continue through the end of the PILOT Period.

The PILOT Payments to be made by the Owner pursuant to the Disposition Agreement are to be sufficient to pay at stated maturities and payment dates the principal of and interest on the 1999 Bonds. For a discussion of the sufficiency of revenues anticipated to be derived from the Apartment Project to make PILOT Payments, see Appendix A — "APPRAISAL."

The table on the following page sets forth estimated coverage ratios for the 1999 Bonds for the periods specified therein based on the projected cash flows from the Apartment Project contained in the Appraisal, the schedule of annual debt service on the 1999 Bonds and the assumptions set forth in the footnotes to the table.

Proposed Henry Adams House Apartments
Projected Cashflow and Debt Service Coverage Analysis (1)

	Year 1 (2)	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
TOTAL RENTAL INCOME AT MARKET	$4,342,210	$4,472,476	$4,606,650	$4,744,850	$4,887,195	$5,033,811	$5,184,825	$5,340,370	$5,500,581	$5,665,599
Less: Vacancy & Collection Loss	($173,688)	($178,899)	($184,266)	($189,794)	($195,488)	($201,352)	($207,393)	($213,615)	($220,023)	($226,624)
Effective Rental Income	$4,168,522	$4,293,577	$4,422,384	$4,555,056	$4,691,707	$4,832,459	$4,977,432	$5,126,755	$5,280,558	$5,438,975
Other Miscellaneous Income	$530,000	$545,900	$562,277	$579,145	$596,520	$614,415	$632,848	$651,833	$671,388	$691,530
EFFECTIVE GROSS INCOME	**$4,698,522**	**$4,839,477**	**$4,984,661**	**$5,134,201**	**$5,288,227**	**$5,446,874**	**$5,610,280**	**$5,778,588**	**$5,951,946**	**$6,130,505**
OPERATING EXPENSES:										
Management Fee	$187,941	$193,579	$199,386	$205,368	$211,529	$217,875	$224,411	$231,144	$238,078	$245,220
Utilities	$68,575	$70,632	$72,751	$74,934	$77,182	$79,497	$81,882	$84,339	$86,869	$89,475
Repairs / Maintenance / Cleaning	$211,000	$217,330	$23,850	$230,565	$237,482	$244,607	$251,945	$259,503	$267,288	$275,307
Payroll	$232,100	$239,063	$246,235	$253,622	$261,231	$269,068	$277,140	$285,454	$294,017	$302,838
Marketing & Administrative Costs	$147,700	$152,131	$156,695	$161,396	$166,238	$171,225	$176,362	$181,652	$187,102	$192,715
Reserves for Unit Replacement	$63,300	$65,199	$67,155	$69,170	$71,245	$73,382	$75,584	$77,851	$80,187	$82,592
FIXED EXPENSE:										
Insurance	$21,100	$21,733	$22,385	$23,057	$23,748	$24,461	$25,195	$25,950	$26,729	$27,531
TOTAL EXPENSES BEFORE TAXES	**$931,716**	**$959,667**	**$788,457**	**$1,018,112**	**$1,048,655**	**$1,080,115**	**$1,112,519**	**$1,145,893**	**$1,180,270**	**$1,215,678**
NET OPERATING INCOME BEFORE TAXES (NOIBT)	**$3,766,806**	**$3,879,810**	**$4,196,204**	**$4,116,089**	**$4,239,572**	**$4,366,759**	**$4,497,761**	**$4,632,695**	**$4,771,676**	**$4,914,827**
PROJECTED PILOT (3)	**$804,695**	**$802,765**	**$805,505**	**$802,585**	**$804,335**	**$805,425**	**$800,855**	**$800,955**	**$800,395**	**$804,175**
PROJECTED GROSS DEBT SERVICE (3)	**$804,695**	**$802,765**	**$805,505**	**$802,585**	**$804,335**	**$805,425**	**$800,855**	**$800,955**	**$800,395**	**$804,175**
GROSS DEBT SERVICE COVERAGE FROM PILOT	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**	**1.00 x**
GROSS DEBT SERVICE COVERAGE FROM NOIBT	**4.68 x**	**4.83 x**	**5.21 x**	**5.13 x**	**5.27 x**	**5.42 x**	**5.62 x**	**5.78 x**	**5.96 x**	**6.11 x**
PROJECTED NET DEBT SERVICE (4)	**$765,917**	**$738,872**	**$741,440**	**$738,499**	**$740,092**	**$741,036**	**$736,471**	**$736,439**	**$735,757**	**$739,284**
NET DEBT SERVICE COVERAGE FROM NOIBT	**4.92 x**	**5.25 x**	**5.66 x**	**5.57 x**	**5.73 x**	**5.89 x**	**6.11 x**	**6.29 x**	**6.49 x**	**6.65 x**

Notes:
(1) All income and operating expense projections, except the estimated PILOT Payment, are from the Discounted Cashflow Analysis included in the Complete Appraisal of Real Property by Cushman & Wakefield of Washington, D.C., Inc., dated as of April 20, 1999, as supplemented by the Limited Appraisal of Real Property dated as of November 1, 1999, and included herein as Appendix A.
(2) Represents first year of operation after stabilization (beginning August 1, 2002).
(3) Represents the gross PILOT Payment, which is equal to debt service on the 1999 Bonds.
(4) Represents debt service net of estimated interest earnings from moneys on deposit in the Debt Service Reserve Fund and the Debt Service Fund.

Remedies in the Event of the Owner's Non-Payment of the PILOT Payments

The Indenture provides that in the event that the Owner fails to make a monthly installment of the PILOT Payment, when due, prior to the Apartment Completion Guaranty Expiration Date (defined herein), the Trustee shall, after notice to the Apartment Completion Guarantor and the Owner of such delinquency and the failure of the Apartment Completion Guarantor or the Owner to cure the delinquency pursuant to the terms of the Apartment Completion Guaranty, cause the Apartment Completion Guarantor to pay all monthly installments of the PILOT Payments due on or before October 25, 2002. See "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS — Apartment Completion Guaranty" herein.

The Indenture provides that in the event that the Owner fails to make a monthly PILOT Payment, when due, on or after the Apartment Completion Guaranty Expiration Date, and if the District fails to take action to enforce such payment obligations, the Trustee may exercise any and all rights to receive such payment, including the exercise of its right to receive payment pursuant to the Assignment by realizing on the Additional Collateral and to seek from a court of competent jurisdiction a judgment against the Owner for any monthly installments of the PILOT Payments that are due and payable. In the event that a judgment for overdue PILOT Payments is awarded in favor of the Trustee, the Trustee may subject the Apartment Project to a foreclosure sale and pay the overdue principal and interest due on the 1999 Bonds from the proceeds of such foreclosure sale. For a projection of the levels of anticipated revenues and expenses of the Apartment Project and the projected debt service on the 1999 Bonds, see the chart under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS — Pledge of PILOT Payments" and Appendix A — "APPRAISAL — Apartment Market Analysis" herein.

Apartment Completion Guaranty

The Apartment Completion Guarantor will provide an Apartment Completion Guaranty pursuant to which the Apartment Completion Guarantor will (i) purchase the 1999 Bonds, in whole but not in part, at a price of par plus accrued interest, in the event that Apartment Completion has not occurred by November 1, 2002; and (ii) pay any monthly PILOT Payment, in full or in part, due on or before the earlier of Apartment Completion or October 25, 2002, which has not been paid by the Owner, after notice and failure to cure the delinquency pursuant to the terms of the Apartment Completion Guaranty. The Apartment Completion Guaranty will expire on the earlier of the date of Apartment Completion or December 15, 2002 (the "Apartment Completion Guaranty Expiration Date") and on or after such date the 1999 Bonds will not be subject to mandatory tender. For additional information on the Apartment Completion Guarantor, see "THE DEVELOPMENT TEAM — The Apartment Completion Guarantor" herein. For additional information on the mandatory tender provisions of the Indenture, see "THE 1999 BONDS — Mandatory Tender" herein.

Debt Service Reserve Fund

The Debt Service Reserve Fund for the 1999 Bonds is established under the Indenture in accordance with the Act in an amount equal to the least of (i) the maximum annual debt service on outstanding 1999 Bonds payable in any fiscal year, (ii) ten percent (10%) of the proceeds of the 1999 Bonds calculated in accordance with the Internal Revenue Code of 1986, as amended; or (iii) 125% of the average annual requirements for the payment of the principal of the 1999 Bonds (by reason of maturity or sinking fund redemption) and interest thereon during the then current and each fiscal year of the District (the "Debt Service Reserve Requirement"). The Debt Service Reserve Requirement is subject to adjustment upon the issuance of additional bonds and under the circumstances more fully described in Appendix B — "CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE DEVELOPMENT AGREEMENT, THE REPLACEMENT DEVELOPER AGREEMENT, THE DISPOSITION AGREEMENT, THE ASSIGNMENT AGREEMENT AND THE APARTMENT COMPLETION GUARANTY" herein. The Debt Service Reserve Fund shall not be reduced below the Debt Service Reserve Requirement except for the purpose of paying principal of and interest on such 1999 Bonds maturing and becoming due and for which other sufficient moneys are unavailable.

BOND INSURANCE

The following information has been furnished by ACA Financial Guaranty Corporation ("ACA") for use in this Official Statement. Reference is made to Appendix E for a specimen of ACA's bond insurance policy.

Payment Pursuant to Bond Insurance Policy

ACA has made a commitment to issue a bond insurance policy (the "Policy") relating to the 1999 Bonds maturing on November 1, 2021, November 1, 2031 and November 1, 2034 (collectively, the "Insured Bonds") effective as of the date of issuance of the 1999 Bonds. Under the terms of the Policy, ACA unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Owner to the Trustee for the Insured Bonds, for the benefit of any owner, or, at the election of ACA, directly to such owner, that portion of the principal of and interest on the Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy). ACA will make such payments to or for the benefit of each owner on the later of the day on which such principal and interest becomes Due for Payment or within one Business Day following the Business Day on which ACA shall have received Notice of Nonpayment (as such terms are defined in the Policy). The Policy is non-cancelable for any reason.

The Policy will insure an amount equal to (i) the principal of (either at the stated maturity or pursuant to a mandatory sinking fund payment) and interest on, the Insured Bonds as such payments shall become Due for Payment but shall not be so paid by reason of Nonpayment by the Issuer (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Insured Bonds pursuant to a final non-appealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any redemption premium which may at any time be payable with respect to any Insured Bond. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Insured Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or paying agent for the Insured Bonds.

Upon receipt of telephonic or electronic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by ACA from the Trustee or paying agent or any owner of an Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, ACA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with the Trustee or paying agent, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Insured Bonds or presentment of such other proof of ownership of the Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Bonds as are paid by ACA, and appropriate instruments to effect the appointment of ACA as agent for such owners of the Insured Bonds in any legal proceeding related to payment of insured amounts on the Insured Bonds, such instruments being in a form satisfactory to ACA, ACA shall disburse to such owners or the paying agent payment of the insured amounts due on such Insured Bonds, less any amount held by the paying agent for the payment of such insured amounts and legally available therefor.

ACA's Rights Under the Indenture

Under the Indenture, ACA has certain rights to consents, notices and to control certain procedures, including, without limitation, the right to control proceedings, without the consent of holders of the Insured Bonds, following an event of default under the Indenture. Reference is made to the provisions of the Indenture for a more complete description of ACA's rights thereunder.

ACA Financial Guaranty Corporation

ACA is domiciled in the State of Maryland and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands of the United States and the Territory of Guam. State laws regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by ACA, changes in control and transactions among affiliates. Additionally, ACA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of September 30, 1999, ACA had, on an unaudited basis, admitted assets of $148,348,093, total liabilities of $63,898,190, and total capital and surplus of $84,449,903, as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Copies of ACA's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from ACA. The address of ACA is 140 Broadway, 47th Floor, New York, New York 10005. The telephone number of ACA is (888) 427-2833.

Fitch IBCA, Inc. and Duff & Phelps Credit Rating Co. rate the claims paying ability of ACA "A" and Standard & Poor's Ratings Services rates the financial strength of ACA "A". Each rating of ACA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of ACA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold the Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured Bonds. ACA does not guaranty the market price of the Insured Bonds nor does it guaranty that the ratings on the Insured Bonds will not be revised or withdrawn.

Year 2000 Matters Regarding ACA

Many existing computer programs use only two digits to identify a year in the date field. These programs, if not corrected, could fail or create erroneous results by or at the year 2000. This "Year 2000" issue is believed to affect virtually all companies and organizations, including ACA. ACA has purchased and expects to purchase computer hardware and software that is either new or has been developed and manufactured after 1995 and ACA requires that hardware and software vendors supply a certification of Year 2000 compliance. As a result, ACA believes that its exposure with respect to its own computer systems to Year 2000–related problems will not be significant.

ACA is in the process of obtaining assurances from its third-party service providers that their computer systems are or will be Year 2000–compliant. ACA also requires issuers of financial obligations insured by ACA to provide satisfactory evidence of Year 2000 compliance as a condition to the issuance of a bond insurance policy. There can be no assurance, however, that ACA's operations will not experience material disruptions due to the failure of ACA's third-party service providers, or the issuers of financial obligations insured by ACA, to become fully Year 2000 compliant in a timely manner or that such failure will not otherwise have an adverse effect on ACA.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING ACA CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY ACA AND ACA MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE INSURED BONDS; OR (iii) THE TAX EXEMPT STATUS OF THE INTEREST ON THE INSURED BONDS.

THE 1999 BONDS

General

The 1999 Bonds will be dated November 1, 1999, will bear interest at the respective rates and mature on the dates and in the amounts set forth on the front cover page of this Official Statement. Interest on the 1999 Bonds will accrue from November 1, 1999, will be payable on May 1, 2000, and semiannually thereafter on May 1 and November 1, of each year to and including their respective dates of maturity or earlier redemption, and will be payable in lawful money of the United States of America. The 1999 Bonds will be issued as fully registered bonds, and, when issued will be registered in the name of and held by Cede & Co., as nominee for DTC (defined herein). Purchases of beneficial interests in the 1999 Bonds will be made in book-entry-only form (without certificates) in the denomination of $5,000 or any multiple thereof and, under certain circumstances, such beneficial interests are exchangeable for one or more fully registered bonds of like principal amount, series and maturity in the denomination of $5,000 or any multiple thereof.

So long as DTC or its nominee, Cede & Co., is the registered owner of the 1999 Bonds, payments of the principal of and interest on the 1999 Bonds will be made directly to Cede & Co. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the 1999 Bonds is the responsibility of the DTC participants. In the event the 1999 Bonds shall be registered in the names of the beneficial owners thereof, the principal thereof will be payable upon presentation and surrender thereof at the corporate trust office of the Trustee, and the interest thereon will be payable by check or draft mailed (or, upon request of a holder of not less than $1,000,000 in aggregate principal amount of 1999 Bonds made to the Trustee not less than five days prior to the Record Date, by wire transfer) to the registered owners thereof as of the Record Date at their addresses as they appear in the records of the Trustee. See "Book-Entry-Only System" herein.

Redemption

Mandatory Sinking Fund Redemption. The 1999 Bonds are subject to redemption prior to maturity, in part, on each of the dates and in the respective principal amounts set forth below, at 100% of the principal amount thereof, plus accrued interest thereon to the date of redemption, according to the following schedules:

1999 Bonds Maturing November 1, 2015

Year (November 1)	Principal Amount of Mandatory Sinking Fund Redemption	Year (November 1)	Principal Amount of Mandatory Sinking Fund Redemption
2002	$105,000	2009	$160,000
2003	110,000	2010	170,000
2004	120,000	2011	185,000
2005	125,000	2012	195,000
2006	135,000	2013	210,000
2007	145,000	2014	225,000
2008	150,000	2015*	235,000

*Final Maturity.

1999 Bonds Maturing November 1, 2021

Year	Principal Amount of Mandatory Sinking Fund Redemption	Year	Principal Amount of Mandatory Sinking Fund Redemption
2016	$250,000	2019	$305,000
2017	270,000	2020	320,000
2018	285,000	2021*	340,000

*Final Maturity.

1999 Bonds Maturing November 1, 2031

Year	Principal Amount of Mandatory Sinking Fund Redemption	Year	Principal Amount of Mandatory Sinking Fund Redemption
2022	$365,000	2027	$490,000
2023	385,000	2028	520,000
2024	410,000	2029	555,000
2025	435,000	2030	590,000
2026	460,000	2031*	625,000

*Final Maturity.

1999 Bonds Maturing November 1, 2034

Year	Principal Amount of Mandatory Sinking Fund Redemption
2032	$665,000
2033	705,000
2034*	755,000

*Final Maturity.

Optional Redemption. The 1999 Bonds are subject to redemption at the option of the District, or upon written direction to the District by the Owner, on November 1, 2010 in whole or in part, prior to maturity at the redemption price (expressed as a percentage of the principal amount to be redeemed) of the principal amount thereof together with interest accrued to the redemption date as follows:

Redemption Periods Inclusive	Redemption Price
November 1, 2010 through October 31, 2011	101%
November 1, 2011 and thereafter	100%

If less than all of the 1999 Bonds are called for redemption, they are to be called in such order of maturity as the District may determine. If less than all of the 1999 Bonds of any maturity date are called for redemption, the 1999 Bonds to be redeemed are to be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, are to be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine.

The Trustee is to send notice of the call for redemption, identifying the 1999 Bonds or portions thereof to be redeemed, not less than 30 nor more than 60 days prior to the redemption date (a) by registered or certified mail or overnight express delivery, to the holder of each 1999 Bond to be redeemed at the address as it appears on the registration books kept by the Trustee, (b) by registered or certified mail or overnight express delivery, to all organizations registered with the Securities and Exchange Commission as securities depositories, and (c) to each nationally recognized municipal securities information repository designated as such by the Securities Exchange Commission.

Mandatory Tender

The 1999 Bonds are subject to mandatory tender, in whole but not in part, at a price of par plus accrued interest to the tender date, from a draw on the Apartment Completion Guaranty in the event that Apartment Completion has not occurred by November 1, 2002.

Pursuant to the Indenture, in the event that the District calls the 1999 Bonds pursuant to a mandatory tender, the District is required to notify the Trustee of its intent to call the 1999 Bonds at least 45 days prior to the tender date of the 1999 Bonds. The Trustee is also required to send notice of the mandatory tender to bondholders not less than 30 days nor more than 60 days prior to the tender date. The ability of the District to call the 1999 Bonds pursuant to the mandatory tender provisions of the Indenture terminates with the expiration of the Apartment Completion Guaranty on December 15, 2002.

Debt Service Requirements

The following is a schedule of the debt service requirements of the 1999 Bonds.

Calendar Year	Principal or Sinking Fund Installment	Interest	Aggregate Debt Service
2000	-	$ 699,695	$699,695
2001	-	699,695	699,695
2002	$105,000	699,695	804,695
2003	110,000	692,765	802,765
2004	120,000	685,505	805,505
2005	125,000	677,585	802,585
2006	135,000	669,335	804,335
2007	145,000	660,425	805,425
2008	150,000	650,855	800,855
2009	160,000	640,955	800,955
2010	170,000	630,395	800,395
2011	185,000	619,175	804,175
2012	195,000	606,965	801,965
2013	210,000	594,095	804,095
2014	225,000	580,235	805,235
2015	235,000	565,385	800,385
2016	250,000	549,875	799,875
2017	270,000	534,250	804,250
2018	285,000	517,375	802,375
2019	305,000	499,563	804,563
2020	320,000	480,500	800,500
2021	340,000	460,500	800,500
2022	365,000	439,250	804,250
2023	385,000	416,438	801,438
2024	410,000	392,375	802,375
2025	435,000	366,750	801,750
2026	460,000	339,563	799,563
2027	490,000	310,813	800,813
2028	520,000	280,188	800,188
2029	555,000	247,688	802,688
2030	590,000	213,000	803,000
2031	625,000	176,125	801,125
2032	665,000	137,063	802,063
2033	705,000	94,170	799,170
2034	755,000	48,698	803,698

Book-Entry-Only System

General. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 1999 Bonds. The 1999 Bonds will be initially issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the 1999 Bonds, in the aggregate principal amount of such maturity, and will be deposited with or for the benefit of DTC.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the clearance and settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 1999 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1999 Bonds on DTC's records. The ownership interest of each actual purchaser of each 1999 Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1999 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1999 Bonds, except in the event that use of the book-entry system for the 1999 Bonds is discontinued.

To facilitate subsequent transfers, all 1999 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 1999 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1999 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 1999 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 1999 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1999 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1999 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 1999 Bonds will be made to DTC. DTC's practice is to credit Direct Participant's accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to DTC are the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1999 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

THE DISTRICT AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE 1999 BONDS, OR PAYMENTS TO, OR THE PROVIDING OR NOTICE FOR, DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Year 2000 Compliance. DTC's management is aware that some computer applications, systems and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on and after January 1, 2000, may encounter "Year 2000 Problems." DTC's Internet site (http://www.dtc.org) contains detailed information regarding DTC's progress and plans to support industry preparations for the impending date change at the end of the century. DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to security holders, book-entry deliveries and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate timeframes.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third-party vendors from whom DTC licenses software and hardware, and third-party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third-party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and in not intended to serve as a representation, warranty or contract modification of any kind. The information relating to DTC's Year 2000 Compliance contained herein has been provided by DTC and is not deemed to be a representation of the District, the Underwriter or the Trustee. For further information with respect to Year 2000 Compliance, if any, relating to DTC and Cede & Co., prospective purchasers of the 1999 Bonds should contact DTC in New York, New York.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof. For further information, Beneficial Owners should contact DTC in New York, New York.

The Trustee and DTC. In order to assure that its information systems are able to properly process data on and after December 31, 1999, the Trustee is in the process of conducting a detailed inventory and assessment of all of its computer hardware and software systems and imbedded chip technology ("Information Systems") and of its business and operations that could be adversely affected by its failure to be so compliant on a timely basis. In that regard, the Trustee is developing, funding and implementing a project plan to make its Information Systems "Year 2000 Compliant." The Trustee also has initiated a process to determine whether its material suppliers, vendors and customers have taken meaningful steps to become Year 2000 Compliant on a timely basis, and is developing and implementing a feasible contingency plan to promote the uninterrupted and unimpaired operation of its business in the event of the failure of the systems of such third parties or of its own Information Systems.

Failure of the Trustee or DTC to identify and correct all Year 2000 issues in their computer systems could adversely affect the ability of the Trustee or DTC to perform their respective duties in connection with the remittance of the payments on the 1999 Bonds on a timely basis.

GOVERNMENT OF THE DISTRICT OF COLUMBIA

General

The District was created in 1791 and has served as the capital of the United States since 1800. Since January 2, 1975, it has been governed in accordance with the District of Columbia Home Rule Act, 87 Stat. 774, D.C. Code § 1-201 *passim*, approved December 24, 1973, as amended (the "Home Rule Act"). Citizens of the District have the right to vote for the President and Vice President of the United States and for a non-voting Delegate to the United States House of Representatives. The District is governed by an elected Mayor and an elected Council pursuant to broad powers delegated by Congress in the Home Rule Act, although under Article I, Section 8, Clause 17 of the United States Constitution, Congress retains plenary legislative authority over the District as the nation's capital. With limited exceptions, including the payment of debt service on the 1999 Bonds, the District may not obligate or expend funds absent annual Congressional appropriation. In April 1995, Congress enacted the District of Columbia Financial

Responsibility and Management Assistance Act of 1995, as amended (the "Authority Act") which created the five-member Authority which, during a Control Period (defined herein) or a Control Year (as defined below), has broad powers over many executive and legislative functions of the District. The powers of the Authority were expanded by Congress in August 1997 pursuant to the National Capital Revitalization and Self-Government Improvement Act of 1997 (the "Revitalization Act"). The expanded powers included supervision by the Authority of the development of management reform plans affecting administration of nine departments of District government (Administrative Services, Consumer and Regulatory Affairs, Corrections, Employment Services, Fire and Emergency Services, Housing and Community Development, Human Services, Public Health, and Public Works) and four District-wide functions of the District government (asset management, information resources management, personnel, and procurement). Federal legislation enacted in early 1999 returned authority for the nine agencies and for District-wide functions to the Mayor, who is responsible for the continued implementation and revision of management reforms for the District government.

The District is a unique governmental entity, combining state, county and municipal characteristics. Functions performed by the District government include public safety, police, fire, corrections, consumer and business regulatory affairs, public works (highways, streets, traffic control, sanitation, water and sewer), human services (health, welfare and employment assistance), leisure services (recreation and libraries), economic development (planning, zoning, urban renewal and housing), education (public schools) and general administration. The District and its instrumentalities also operate a university, a general hospital, a stadium and armory complex, a convention center and a lottery.

Legislative Power

The legislative power granted to the District by the Home Rule Act is vested in the Council, which consists of 13 members elected on a staggered basis for four-year terms. The Chairman of the Council and four members are elected at large, and the other members are elected from the eight election wards of the District. The Home Rule Act imposes several important limitations on the Council's legislative authority. For example, the Council cannot enact legislation which (i) would tax property of the United States or of any state; (ii) would tax, directly or at the source, the income of any individual who is not a resident of the District; or (iii) would permit the building of structures within the boundaries of the District higher than the United States Capitol dome (approximately 12 stories).

Except for acts authorizing general obligation revenue anticipation notes and acts authorizing the refunding of bond anticipation notes, all non-emergency acts of the Council are subject to a period of Congressional review before they take effect. In addition, during a Control Period, the Authority is required to review any legislation enacted by the Council (including any acts which are not subject to Congressional review) for consistency with the applicable Financial Plan and Budget for the District prior to such legislation taking effect.

Executive Power of the Mayor

The Home Rule Act vests the executive power of the District in the Mayor, who is the chief executive officer of the District. Under the Home Rule Act, the Mayor is responsible for all functions formerly vested in the Commissioners of the District of Columbia, including the proper execution of laws and administration of the District's affairs. These executive functions include supervision and direction of the District's administrative boards, offices and agencies, administration of the District's financial affairs, administration of personnel matters, central municipal planning, making legislative proposals to the Council, and similar matters. The Mayor also has the authority to veto legislation adopted by the Council. In the event of a Mayoral veto, the Council may override such veto by a two-thirds vote.

The Home Rule Act requires the Mayor to appoint a City Administrator, who as the chief administrative officer of the District is to assist the Mayor in carrying out the Mayor's duties under the Home Rule Act and to perform such other duties as the Mayor may assign. The Home Rule Act also establishes the Office of the District of Columbia Auditor, and gives the Auditor responsibility for the annual audit of the District's accounts and operations. The Auditor is appointed by the Chairman of the Council, subject to the approval of a majority of the Council, and is required to submit audit reports and recommendations to the Council, the Mayor and the Congress.

The Home Rule Act establishes the requirement that the Mayor prepare and submit to Council an annual budget, including among other things the budget for the forthcoming fiscal year, a multi-year plan for all agencies and all sources of funding, a multi-year capital improvements plan, a performance report comparing actual performance to goals, an issue analysis statement, and a summary of the budget for public distribution. Once approved by the Council, the Home Rule Act requires the budget to be submitted by the Mayor to the President of the United States for transmission to the Congress.

The Authority

The Authority Act created the Authority and granted it substantial powers over the financial activities and management operations of the District government during any "Control Period," as defined in the Authority Act. The Authority Act granted governmental control powers in the Authority for the purpose of eliminating budget deficits and cash shortages of the District, ensuring efficient and effective delivery of services in the District, enhancing the District's access to the capital markets, ensuring long-term financial, fiscal and economic vitality and operational efficiency of the District, examining the structural relationship between the District government and the Federal government, and reviewing the financial impact of activities of the District before the activities are implemented or submitted for Congressional review. In the absence of additional Congressional legislation, upon the termination of a Control Period, the powers of the Authority over the management operations of the District will be suspended or terminated.

General Powers of the Authority

The Authority Act requires that, during a Control Period, the Authority approve the District's annual Financial Plan and Budget for the applicable fiscal year and the next three consecutive fiscal years; review acts of the Council to ensure their consistency with the approved Financial Plan and Budget then in effect; review certain contracts and leases proposed to be entered into by the District; and approve long-term and short-term borrowing of the District, including requests for advances from the U.S. Treasury. The issuance of the 1999 Bonds is subject to approval by the Authority.

The Authority Act provides that during a Control Period proceeds of all District borrowings, including U.S. Treasury Advances, shall be deposited into an escrow account held by the Authority, and that the Authority shall allocate the funds to the District at such intervals and in accordance with such terms and conditions as it considers appropriate to implement the Financial Plan and Budget for the year. Funds allocated by the Authority to the District may be expended by the District only in accordance with the terms and conditions established by the Authority at the time the funds are allocated.

The Authority's Control Over DCPS Matters

Pursuant to the Authority's Resolution, Order and Recommendation Concerning District of Columbia Public School System dated November 15, 1996 (the "School Resolution"), as amended by the Authority's Second Resolution and Order Concerning District of Columbia Public School System dated February 12, 1998, the Authority has assumed all of the authority, powers, functions, duties, responsibilities, exemptions and immunities of DCPS under Federal and District of Columbia law (except the function of chartering public charter schools), including the power to oversee all facility planning, construction, improvement, repair, rehabilitation and maintenance with respect to school buildings and grounds. The School Resolution established a nine-member Emergency Transitional Board of Trustees that, pursuant to the February 12, 1998 Order, makes recommendations to the Authority concerning all major matters with respect to the District of Columbia Public School System.

The School Resolution provides that the full powers of DCPS will be returned to DCPS by June 30, 2000. The Authority and DCPS approved a Transition Plan dated February 17, 1999, providing for a gradual transfer of powers and functions to DCPS up to and including June 30, 2000.

Relationship between the District and the Federal Government

Notwithstanding the delegation of authority for self-government made by the Home Rule Act, Congress reserves the right, at any time, to exercise its Constitutional authority as the legislature for the District by enacting legislation for the District on any subject, whether within or without the scope of legislative power granted to the Council by the Home Rule Act, including legislation to amend or repeal any law in force in the District prior to or after enactment of the Home Rule Act and any act passed by the Council. However, such legislative authority is subject to Constitutional limitations on the powers of the United States government.

The Home Rule Act provides that no act passed by the Council and approved either by the Mayor or through veto override shall take effect until the expiration of a period of 30 legislative days (for acts on civil matters) or 60 legislative days (for acts on criminal matters) after transmittal to Congress, except for acts authorizing renewal and refunding of bond anticipation notes or the issuance of revenue anticipation notes, budget acts submitted to the President of the United States for transmittal to Congress for its affirmative approval, or emergency acts effective for no more than 90 days. During such periods, Congress and the President may disapprove an act of the Council by enacting a joint resolution of Congress approved by the President in which event the act will not become effective. The Congress, from time to time, at the request of the District, has enacted legislation waiving the legislative layover period for certain District legislation.

Disapproval of an act of the Council by Congress has occurred infrequently. Congress, however, has made revisions to the District's budget as adopted by the Council and has conditioned its approval of the District's budget on compliance by the District with a variety of Congressional mandates.

The District's relationship with the Federal government was altered by the Authority Act and the Revitalization Act. The Revitalization Act significantly affected the government and finances of the District. The governmental powers of the Authority were expanded by requirements for Authority oversight of the development of management reform plans affecting administration of the executive branch of the District government. In addition, the Revitalization Act imposed a requirement that the District have a balanced budget commencing with fiscal year 1998. The District had balanced budgets in fiscal years 1997 and 1998.

Prior to the Revitalization Act, the Federal government provided a substantial amount of the District's revenue in each fiscal year through an annual appropriation in recognition of the impact of the Federal government on the District and the District's unique status as the nation's capital (the "Federal Payment"). The Federal Payment was eliminated by the Revitalization Act. The Revitalization Act also provided for Federal government assumption of certain District expenditures, including certain unfunded pension liabilities, a larger share of the District's Medicaid costs, the operating and capital costs of the Superior Court of the District of Columbia and the District of Columbia Court of Appeals, and certain expenditures that were previously incurred by the District for its Department of Corrections. Federal grants continue to be a significant source of District revenue, and, as in the case of Federal funding distributed to the 50 states, most revenues from Federal sources are appropriated annually by the Congress.

Although the District government is responsible for most local governmental functions within the District, the Federal government provides many services required by its own operations or for the benefit of visitors to the nation's capital. The Federal government operates and maintains its own buildings, national monuments and park land and provides financial support to visitor attractions such as the National Gallery of Art, the Smithsonian Institution and the National Zoo. The Federal government also maintains special police forces and guard services to protect the White House, the Capitol, the Supreme Court, other Federal facilities and foreign embassies and missions.

For information on the metropolitan area of the District, see Appendix A — "APPRAISAL — Regional Analysis" herein. For information on the immediate area within which the Apartment Project is to be built, see APPENDIX A — "APPRAISAL — Area Analysis" herein.

BONDHOLDERS' RISKS

AN INVESTMENT IN THE 1999 BONDS INVOLVES A DEGREE OF RISK. THE DISTRICT HAS NOT APPLIED FOR AND HAS NOT RECEIVED ANY RATING ON THE 1999 BONDS. BONDHOLDERS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION "SECURITY AND SOURCES OF PAYMENT FOR THE 1999 BONDS" AND THIS SECTION FOR DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 1999 BONDS. The factors listed below, among others, could adversely affect the Owner's operation and revenues and expenses of the Apartment Project to an extent which cannot be determined at this time.

1. **Uncertainty of Revenues**. The 1999 Bonds are payable solely from the PILOT Payments, from the Debt Service Reserve Fund and other funds and accounts established under the Indenture (other than the Arbitrage Rebate Fund) and, in certain limited circumstances, from the Apartment Completion Guaranty. The availability of revenues from the Apartment Project in the amounts sufficient to pay the principal or redemption price of and interest on the 1999 Bonds will be dependent on the maintenance of occupancy levels at the Apartment Project by residents who will be able to pay the Apartment Project's rents and the retention of competent administrative and operating personnel to conduct the day-to-day operations of the Apartment Project. The realization of future revenues and control of expenses is also dependent upon, among other things, successful marketing by the Owner, the management

capabilities of the Owner, competition with other residential apartment buildings within the geographic area of the Apartment Project, and future economic and other conditions in the District which are unpredictable. Any of these factors may affect revenues and payment of debt service on the 1999 Bonds. No representation or assurance can be made that revenues will be realized by the Owner from the Apartment Project in the amounts sufficient to make the required payments with respect to debt service on the 1999 Bonds. For a discussion of the projected level of revenues from the Apartment Project, see Appendix A – "APPRAISAL" herein.

If an Event of Default occurs under the Indenture, the Trustee may accelerate the maturity of the 1999 Bonds or exercise any of the remedies provided in the Indenture. Upon such an acceleration there may be insufficient funds to pay all principal and interest due on the 1999 Bonds. See Appendix B hereto for a description of the events of default and the remedies available to the District under the Development Agreement.

2. **Appraisal Estimates.** Because there can be no assurance that actual events will correspond with the assumptions made, there cannot be any representation or guarantee that the estimates and assumptions contained in the Appraisal will correspond with the results actually achieved in the future. Actual operating results may be affected by various uncontrollable factors, including, but not limited to, increased governmental controls, changes in applicable governmental regulations, work stoppages and strikes, increased competition that may affect lease-up and occupancy levels, changes in general economic conditions, changes in management or increased inflation, all of which could result in changes in anticipated operating results of the Apartment Project from those reflected in the Appraisal and result in increased costs or lower than anticipated revenues.

3. **Lack of Market for the 1999 Bonds.** The Underwriter is not obligated to make a market for the 1999 Bonds and there can be no assurance that there will be a secondary market for the 1999 Bonds. The absence of such a market for the 1999 Bonds could result in investors not being able to resell the 1999 Bonds should they wish to do so.

4. **Bankruptcy.** The filing by, or against, the Owner of a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") may have an adverse effect on the ability of the District or the Trustee and Bondholders to enforce their claim or claims to the security granted by the Indenture and their claim or claims to moneys owed to them as unsecured claimants, if any. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Owner and its property and as an automatic stay of any act or proceeding to enforce a lien against such property.

The Act provides that the District may enforce nonpayment of any PILOT Payment in the same manner as delinquent real property taxes are enforced under District of Columbia law. Provisions of the Bankruptcy Code provide that certain real property taxes are not dischargeable in a bankruptcy proceeding. Although the Act provides that for enforcement purposes the PILOT Payments are to be considered a real property tax, there is no assurance that in a bankruptcy proceeding of the Owner a court of competent jurisdiction would treat the PILOT Payments in the same manner as real property taxes that are not subject to discharge. Subject to certain limitations, in the event that a court were to so discharge the District's or the Trustee's right to receive payment of the PILOT Payments, the District or the Trustee, on behalf of the holders of the 1999 Bonds may have recourse for the payment of principal and interest on the 1999 Bonds as a result of the assignment of the Additional Collateral pursuant to the Assignment.

Perfected security interests cannot be avoided by a court in a bankruptcy proceeding. However, the District's or the Trustee's realization upon the Additional Collateral may be delayed or modified in certain circumstances.

5. **Insurance and Condemnation Proceeds.** In the event of damage, destruction or condemnation of the Apartment Project, any insurance or condemnation proceeds may be used either to rebuild the Apartment Project or to repay the equity investors in the Apartment Project or the debt obligations of the Owner with respect to the Apartment Project. The application of insurance and condemnation proceeds for a purpose other than the rebuilding of the Apartment Project may result in an interruption of available cash revenues from the Apartment Project to pay the PILOT Payments.

LITIGATION

The District

There is no litigation pending against the District in any court or, to the knowledge of the Corporation Counsel, threatened, which may have the effect of restraining or enjoining the issuance or delivery of the 1999 Bonds, which would adversely affect the obligations of the District with respect to the 1999 Bonds, which contests the District from entering into the Indenture, the Development Agreement, the Disposition Agreement, the Purchase Contract (defined herein) or any other agreement entered into in connection with the authorization, issuance or sale of the 1999 Bonds or which in any way contests or may call into question the District's authority to impose and collect the PILOT Payments or the validity or enforceability of the 1999 Bonds or the Act.

DCPS

There is no litigation pending against DCPS in any court or, to the knowledge of DCPS, threatened, which may have the effect of restraining or enjoining DCPS from performing its obligations with respect to the Project.

The New School Guarantor, the Owner, the Developer and the General Contractor

There is no litigation pending against the New School Guarantor, Henry Adams, the Developer or the General Contractor in any court or, to the knowledge of the New School Guarantor, Henry Adams, the Developer or the General Contractor, threatened, which may have the effect of restraining or enjoining the New School Guarantor, Henry Adams, the Developer or the General Contractor from performing their respective obligations with respect to the Project or from making the PILOT Payments, as applicable.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law, interest on the 1999 Bonds (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax, and (c) will be exempt from all District taxation, except estate, inheritance and gift taxes. No other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the 1999 Bonds.

Bond Counsel's opinion will be given in reliance upon certifications by representatives of the District as to certain facts material to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The District has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the 1999 Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the 1999 Bonds, if required. Failure by the District to comply with such covenants could cause interest on the 1999 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the 1999 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 1999 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the 1999 Bonds should consult their own tax advisors as to the status of interest on the 1999 Bonds under the tax laws of any jurisdiction other than the District.

APPRAISAL

Cushman & Wakefield of Washington, D.C., Inc. (the "Appraiser") was engaged to prepare an independent Complete Appraisal of Real Property dated as of April 20, 1999, which was supplemented by the Limited Appraisal of Real Property dated as of November 1, 1999 (collectively, the "Appraisal") analyzing the residential apartment building market in the section of Washington, D.C. in which the Apartment Project will be built, describing and appraising the as is value and prospective market value upon stabilization of the Apartment Project and projecting the levels of anticipated revenues and expenses of the Apartment Project. As stated in the Appraisal, the forecasts in the Appraisal are estimates and are not predictions of the operations of the Apartment Project. The Appraisal is attached hereto as Appendix A and should be read in its entirety.

CERTAIN LEGAL MATTERS

Legal matters related to the authorization, issuance, sale and delivery of the 1999 Bonds are subject to the approval of Hunton & Williams, Washington, D.C., Bond Counsel. The approving opinion of Bond Counsel will be in substantially the form attached to this Official Statement as Appendix C. Certain legal matters will be passed upon for the District by its Corporation Counsel. Certain legal matters will be passed upon for DCPS by its General Counsel. Certain legal matters will be passed upon for the New School Guarantor, the Owner and the Developer by their counsel, Jones, Day, Reavis & Pogue, Washington, D.C.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), is expected to assign its municipal bond rating of "A" to the Insured Bonds with the understanding that upon delivery of the Insured Bonds, a policy insuring the payment when due of the principal of and interest the Insured Bonds will be issued by ACA Financial Guaranty Corporation. An explanation of the significance of such rating may only be obtained from S&P. There is no assurance that such rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely, if in S&P's judgment circumstances so warrant. Any downward change in or withdrawal of such ratings may have an adverse effect on the price at which the Insured Bonds may be resold.

The District did not apply for ratings on the 1999 Bonds maturing on November 1, 2015, and the 1999 Bonds maturing on November 1, 2015 are not insured by ACA.

UNDERWRITING

PaineWebber Incorporated (the "Underwriter") has agreed to purchase the 1999 Bonds from the District at an aggregate price, exclusive of accrued interest of $10,680,816.40, reflecting the principal amount of the 1999 Bonds less an original issue discount of $158,183.60 and an Underwriter's discount of $161,000.00, pursuant to a Bond Purchase Agreement entered into between the District and the Underwriter (the "Purchase Contract"). The Purchase Contract provides that the Underwriter will purchase all of the 1999 Bonds if any are purchased.

The initial public offering prices set forth on the cover hereof may be changed from time to time by the Underwriter and the Underwriter may offer to sell 1999 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof.

The Underwriter served as bidding agent for the District in connection with the investment of the proceeds of the 1999 Bonds and will receive a fee of approximately $8,900.00 from the District for such services.

FINANCIAL ADVISORS

Columbia Equity Financial Corp. ("Columbia Equity") serves as financial advisor to the District on matters pertaining to the 1999 Bonds and has assisted in the preparation of the Official Statement.

Public Resource Advisory Group ("PRAG") serves as financial advisor to the Authority in connection with the pricing of the 1999 Bonds.

Columbia Equity and PRAG are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Neither Columbia Equity nor PRAG has undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District, the Trustee and the Owner will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement") that will constitute a written undertaking for the benefit of the owners of the 1999 Bonds, solely to assist the Underwriter in complying with subsection (b)(5) of the Rule. See Appendix D — "FORM OF CONTINUING DISCLOSURE AGREEMENT" for the detailed provisions of the Continuing Disclosure Agreement.

MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the District with the holders of 1999 Bonds is fully set forth in the Indenture, and neither any advertisement of the 1999 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the 1999 Bonds.

The information contained herein should not be construed as representing all conditions affecting the District or the 1999 Bonds. The foregoing statements relating to the Act, the Indenture and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

The attached Appendices A through E are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing statements.

It is anticipated the CUSIP identification numbers will be printed on the 1999 Bonds, but neither the failure to print such numbers on any 1999 Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any 1999 Bonds.

The District has reviewed the information contained herein that relates to the District and has approved all such information for use within this Official Statement.

The execution and delivery of this Official Statement have been duly authorized and approved by the District for distribution to prospective purchasers of the 1999 Bonds.

THE DISTRICT OF COLUMBIA

By: /s/ William Hall
Deputy Chief Financial Officer and Treasurer

Dated: November 24, 1999

APPENDIX A

APPRAISAL

[This Page Intentionally Left Blank]

COMPLETE APPRAISAL
OF REAL PROPERTY

Proposed Henry Adams House Apartments
29th and Calvert Streets, NW
Washington, D.C. 20008

IN A SELF-CONTAINED REPORT

As of April 20, 1999

Prepared For:

PaineWebber
1285 Avenue of Americas
New York, NY 10019

Prepared By:

Cushman & Wakefield of Washington, D.C., Inc.
Valuation Advisory Services
1801 K Street, NW
Suite 1100L
Washington, D.C. 20006

April 20, 1999

CUSHMAN & WAKEFIELD®

Cushman & Wakefield of Washington, D.C., Inc.
1801 K Street, NW, Suite 1100L
Washington, D.C. 20006
(202) 467-0600

Ms. Freda Wang
PaineWebber
1285 Avenue of Americas
New York, NY 10019

Re: Complete Appraisal of Real Property
Proposed Henry Adams House Apartments
29th and Calvert Streets, NW
Washington, D.C. 20008

Dear Ms. Wang:

In fulfillment of our agreement as outlined in the Letter of Engagement, Cushman & Wakefield of Washington, D.C., Inc. is pleased to transmit our self-contained appraisal report estimating the *as is* market value of the fee simple estate in the proposed site and the*prospective market value upon stabilization* of the fee simple estate in the proposed Henry Adams House Apartments.

This is a Complete Appraisal prepared in accordance with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation. The results of the appraisal are being conveyed in a Self-Contained Report. Our analysis, opinions and conclusions were developed, and this appraisal report was prepared in accordance with the requirements of FIRREA, the Uniform Standards of Professional Appraisal Practice (USPAP) and of the Appraisal Institute.

As specified in the Letter of Engagement, the opinions reported below are qualified by certain assumptions, limiting conditions, certification, and definitions, which are set forth in the report. We particularly call your attention to the following Special Assumptions.

1. The purpose of this appraisal report is estimate the *as is*market value of the proposed site supporting the proposed multi-family units and the *prospective market value upon stabilization* of the 211-unit Henry Adams House Apartments. We have not estimated a market value of the new Oyster School building and supporting land.

2. We reviewed preliminary plans and specifications prepared by Torti, Gallas and Partners, CHK, Inc. dated March 15, 1999. It is assumed that the building will be completed in a manner consistent with these plans. Any significant deviation would result in the need to revisit the building's competitive position in the market and the value conclusions.

3. We assume that the total site containing 1.67 acres will subdivided into two parcels in accordance with the terms of the PILOT (payment in lieu of taxes) agreement. Upon completion of the proposed improvements, ownership of the 38,289 square foot parcel and the Henry Adams House Apartments will be vested in the name of LCOR, or its affiliates, with the remaining 34,558 square foot parcel and the Oyster School building being vested in the name of the District of Columbia Government.

4. Under the terms of the PILOT (payment in lieu of taxes) program, the District Government will transfer the 38,289 square feet of land located on the eastern portion of the site to LCOR for a total consideration of $0 and abate any related taxes on the proposed apartment complex for 35 years. In lieu of paying real estate taxes, LCOR will make principal and interest payments sufficient to fully amortize $11 million of tax exempt bonds issued by the District of Columbia to finance the construction of a new Oyster School building. The total life of the bonds is 35 years and the projected payments in lieu of taxes are $725,000 annually. Financing for the apartment project will be conventional. In addition, LCOR, through a design-build contract with Sverdrup Corporation, will construct the new Oyster School building on the remaining 34,558 square feet of the site. According to Tim Smith of LCOR, the estimated development costs for Henry Adams Houseare $28 million with delivery projected for April 2001. Should this site development and construction not be performed in accordance with the aforementioned terms, both the site's marketability and the market value would be affected. Under such circumstances, the conclusions reached in this report would be considered invalid.

5. The development costs of the Oyster Elementary School building are estimated at $11 million and are not included in the analysis of this report.

This report was prepared for LCOR New Oyster School, LLC, and is intended only for the specified use of said Client. The report may not be distributed to or relied upon by other persons or entities without the written permission of Cushman & Wakefield of Washington, D.C., Inc.

The property was inspected and the report prepared by Thomas J. Frye and Neal A. Eaton, MAI. Donald R. Morris, MAI, reviewed the report and is in concurrence with the findings herein.

Based on our complete appraisal as defined by the Uniform Standards of Professional Appraisal Practice, we have formed an opinion that the *as is* market value of fee simple estate in the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, as of April 20, 1999 was:

THREE MILLION EIGHT HUNDRED THOUSAND DOLLARS
$3,800,000

Also, we have formed an opinion that the *prospective market value upon stabilization* of the proposed improvements and stabilization in the fee simple estate, which we anticipate to be on or about November 1, 2001, in the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, will be:

THIRTY SEVEN MILLION DOLLARS
$37,000,000

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF WASHINGTON, D.C. INC.

Thomas J. Frye
Washington D.C. Valuation Advisory Services

Neal A. Eaton, MAI
Washington D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10206

Donald R. Morris, MAI
Manager, Director – Washington, D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10267

Property Name:	**Henry Adams House Apartments**
Location:	29th & Calvert Streets, NW Washington, D.C.
Overview:	The subject property consists of a 1.67 acre parcel of land currently improved with the Oyster Elementary School. Proposed development plans for the site include the demolition of the existing Oyster School building and the construction of a new 47,000+/- square foot public school building and a 211-unit privately owned high rise apartment complex to be known as Henry Adams House. The apartment complex is to be constructed on 38,289 square feet of land on the eastern portion of the site with the school being constructed on the remaining 34,558 square feet on the western portion of the site.
Date of Inspection:	April 20, 1999
Ownership:	District of Columbia Government pending transfer to LCOR New Oyster School, LLC through PILOT program
Proposed Land Area:	Oyster School Building: 34,558 SF Henry Adams House Apartments: 38,289 SF Total 72,847 SF Note: Only the 38,289 square foot parcel is the subject of this appraisal.
1999 Real Estate Assessment:	$4,018,000
1999 Real Estate Taxes:	Currently Tax Exempt (See *Real Property Taxes and Assessment* section for details)
Zoning:	R-5-C
Density:	240 units per acre (subject portion of the site only)
Improvement Description Type:	The proposed improvements consist of a 211-unit high rise apartment complex containing a party/ meeting room, exercise facility, library, business center and below grade parking for 214 vehicles. Upon completion, this 11-story complex will offer a

total of 17 different floor plans.

Year Built: Oyster School: Projected Delivery December 2000
Henry Adams House: Projected Delivery April 2001

Condition: Excellent Upon Completion

Unit Mix:

Henry Adams House				
Unit No.	**Unit Type**	**Number of Units**	**Rentable Area (SF)**	**Gross Rentable Area (SF)**
E	Efficiency	21	577	12,117
1-A	1-BR/1-BA	42	765	32,130
1-A-2	1-BR/1-BA	8	765	6,120
1-B	1-BR/1-BA	30	772	23,160
1-C	1-BR/1-BA	20	716	14,320
1-E	1-BR/1-BA	21	761	15,981
1-F	1-BR/1-BA	1	900	900
1-G	1-BR/1-BA	1	819	819
I -H	1-BR/1-BA	2	693	1,386
1+D/A	1-BR/1-BA/DEN	11	993	10,923
1+D/B	1-BR/1-BA/DEN	11	950	10,450
1+D/C	1-BR/2-BA/DEN	1	1,076	1,076
2-A	2-BR/2-BA	9	1,197	10,773
2-B	2-BR/2-BA	11	1,190	13,090
2-C	2-BR/2-BA	10	1,058	10,580
2-D	2-BR/2-BA	11	1,109	12,199
2-E	2-BR/2-BA	1	1,096	1,096
Totals/Average		211	839	177,120

Highest and Best Use:
As Vacant: Development with residential use or public facility
As Improved: Eventual development of the land with multi-family residences.

Value Indicators

Cost Approach

Land Value: $3,800,000
Replacement Cost New: $33,000,000
% Depreciation: 0%
Present Value of PILOT Payments: $777,116
Indicated Value: $37,600,000 or $178,199 per unit

Sales Comparison Approach:

Value Per Unit: $160,000 to $170,000
Effective Gross Income Multiplier: 7.5 to 8.0

Indicated Value:	$36,000,000

Income Capitalization Approach–Direct Capitalization

Stabilized Vacancy Rate:	3%
Stabilized Collection Loss:	1%
Forecast Date of Stabilization:	November 1, 2001
Projected Effective Gross Income:	$4,698,521
Projected Net Operating Income:	$3,041,805
Overall Capitalization Rate:	8.50%
Indicated Value:	$36,000,000

Income Capitalization Approach–Discounted Cash Flow Analysis

Market Rental Growth Rate:	3.0%
Expense Growth Rate:	3.0%
Forecasted Year 1 Vacancy Rate:	3.0%
Forecasted Credit Loss:	1.0%
Reversion Year Capitalization Rate:	9.5%
Transaction Costs in Reversion Sale:	3.0%
Discount Rate:	10.5%
Implicit First Year Capitalization Rate:	8.22%
Indicated Value:	$37,000,000

As Is Value Conclusion:	$3,800,000
Prospective Market Value Conclusion:	$37,000,000
Value Per Unit:	$174,528
Value Per Square Foot	$208.89 (Net Rentable Area)
Implicit Capitalization Rate:	8.22%
Exposure Time Implicit in Market Value Estimate:	6 to 9 months

Special Assumptions Affecting Market Analysis:

1. The purpose of this appraisal report is estimate the *as is*market value of the proposed site supporting the proposed multi-family units and the *prospective market value upon stabilization* of the 211-unit Henry Adams House Apartments. We have not estimated a market value of the new Oyster School building and supporting land.

2. We reviewed preliminary plans and specifications prepared by Torti, Gallas and Partners, CHK, Inc. dated March 15, 1999. It is assumed that the building will be completed in a manner consistent with these plans. Any significant deviation would result in the need to revisit the building's competitive position in the market and the value conclusions.

3. We assume that the total site containing 1.67 acres will subdivided into two parcels in accordance with the terms of the PILOT (payment in lieu of taxes) agreement. Upon completion of the proposed improvements, ownership of the 38,289 square foot parcel and the Henry Adams House Apartments will be vested in the name of LCOR, or its

affiliates, with the remaining 34,558 square foot parcel and the Oyster School building being vested in the name of the District of Columbia Government.

4. Under the terms of the PILOT (payment in lieu of taxes) program, the District Government will transfer the 38,289 square feet of land located on the eastern portion of the site to LCOR for a total consideration of $0 and abate any related taxes on the proposed apartment complex for 35 years. In lieu of paying real estate taxes, LCOR will make principal and interest payments sufficient to fully amortize $11 million of tax exempt bonds issued by the District of Columbia to finance the construction of a new Oyster School building. The total life of the bonds is 35 years and the projected payments in lieu of taxes are $725,000 annually. Financing for the apartment project will be conventional. In addition, LCOR, through a design-build contract with Sverdrup Corporation, will construct the new Oyster School building on the remaining 34,558 square feet of the site. According to Tim Smith of LCOR, the estimated development costs for Henry Adams Houseare $28 million with delivery projected for April 2001. Should this site development and construction not be performed in accordance with the aforementioned terms, both the site's marketability and the market value would be affected. Under such circumstances, the conclusions reached in this report would be considered invalid.

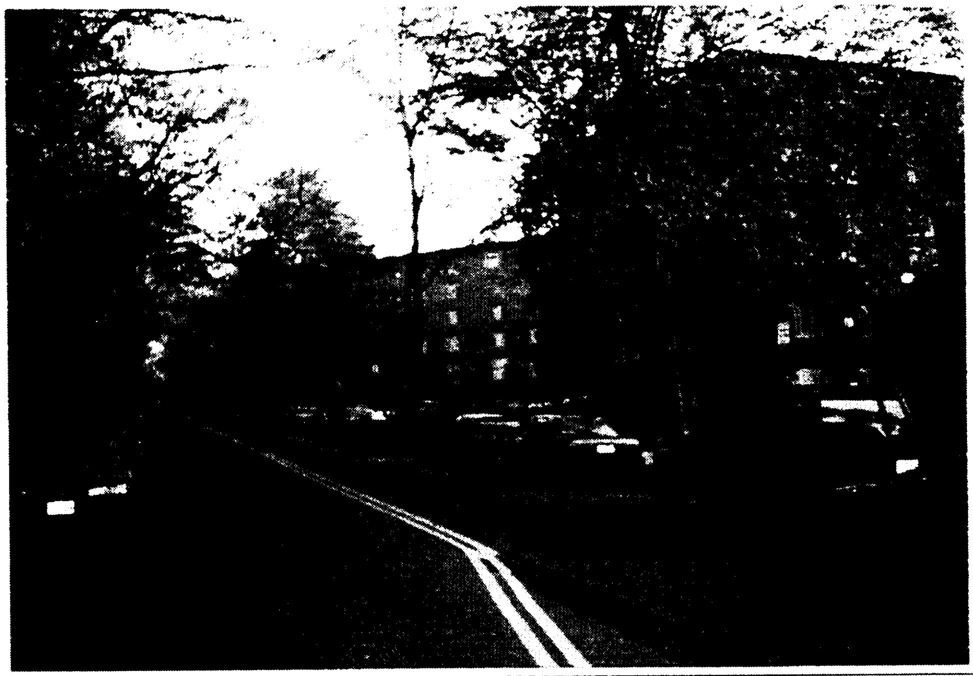
5. The development costs estimated at $11 million for the Oyster Elementary School and are not included in the analysis of this report.

6. Please refer to the complete list of assumptions and limiting conditions included at the end of this report.

#99-0084

Front View of Oyster School Building

Rear View of Oyster School Building



View Facing North on 29th Street

View Facing South on 29th Street

View Facing East on Calvert Street

View Facing West on Calvert Street

Identification of Property

The subject property consists of a 1.67 acre parcel of land currently improved with the Oyster Elementary School. Proposed development plans for the site include the demolition of the existing Oyster School building and the construction of a new 47,000 square foot public school building and a 211-unit privately owned high rise apartment complex to be known as Henry Adams House. The apartment complex is to be constructed on 38,289 square feet of land on the eastern portion of the site with the school being constructed on the remaining 34,558 square feet on the western portion of the site.

The subject of this appraisal is only the proposed high-rise apartment building and supporting land. The proposed improvements under this appraisal consist of a 211-unit high rise apartment complex containing a party/meeting room, exercise facility, library, business center and below grade parking for 214 vehicles. Upon completion, this 11-story complex will offer a total of 17 different floor plans. The unit mix and gross rentable areas are displayed in the table below.

Henry Adams House				
Unit No.	Unit Type	Number of Units	Rentable Area (SF)	Gross Rentable Area (SF)
E	Efficiency	21	577	12,117
1-A	1-BR/1-BA	42	765	32,130
1-A-2	1-BR/1-BA	8	765	6,120
1-B	1-BR/1-BA	30	772	23,160
1-C	1-BR/1-BA	20	716	14,320
1-E	1-BR/1-BA	21	761	15,981
1-F	1-BR/1-BA	1	900	900
1-G	1-BR/1-BA	1	819	819
I -H	1-BR/1-BA	2	693	1,386
1+D/A	1-BR/1-BA/DEN	11	993	10,923
1+D/B	1-BR/1-BA/DEN	11	950	10,450
1+D/C	1-BR/2-BA/DEN	1	1,076	1,076
2-A	2-BR/2-BA	9	1,197	10,773
2-B	2-BR/2-BA	11	1,190	13,090
2-C	2-BR/2-BA	10	1,058	10,580
2-D	2-BR/2-BA	11	1,109	12,199
2-E	2-BR/2-BA	1	1,096	1,096
Totals/Average		211	839	177,120

Property Ownership and Recent History

The Government of the District of Columbia currently owns title to the subject property pending transfer to LCOR New Oyster School, LLC. The District Government has agreed to transfer the subject property to LCOR through the PILOT (payment in lieu of taxes) program. LCOR plans to close the financing for both Oyster School and Henry Adams House in June 1999.

Under the terms of the PILOT (payment in lieu of taxes) program, the District Government will transfer the 38,289 square feet of land located on the eastern portion of the site to LCOR for a total consideration of $0 and abate any related taxes on the proposed apartment complex for 35 years. In lieu of paying real estate taxes, LCOR will make principal and interest payments sufficient to fully amortize $11 million of tax exempt bonds issued by the District of Columbia to finance the construction of a new Oyster School building. The total life of the bonds is 35 years and the projected payments in lieu of taxes are $725,000 annually. Financing for the apartment project will be conventional.

In addition, LCOR, through a design-build contract with Sverdrup Corporation, will construct the new Oyster School building on the remaining 34,558 square feet of the site. According to Tim Smith of LCOR, the estimated development costs for Henry Adams House are $28 million with delivery projected for April 2001. The development costs estimated at $11 million for the Oyster Elementary School building and are not included in the analysis of this report.

To our knowledge, the property is not currently under contract of sale nor is it being offered for sale to any other parties than those discussed above. No other sales are known to have occurred in the last three years.

Purpose and Intended Use of the Appraisal

The purpose of this appraisal is to estimate the *as is* market value of the fee simple estate in the subject property and the *prospective market value upon stabilization* of the improvements. The report is for financing purposes.

Extent of the Appraisal Process

In the process of preparing this appraisal, we:

- Inspected the site and its environs.
- Reviewed preliminary plans and specifications for the proposed improvements.
- Reviewed a LCOR's pro forma income and expense statements dated April 1999.
- Conducted market research of occupancies, asking rents, concessions and operating expenses at competing complexes which involved interviews with on-site managers and a review of our own data base from previous appraisal files.
- Prepared an estimate of stabilized income and expense (for capitalization purposes).
- Conducted market inquiries into recent sales of similar complexes to ascertain sales price per unit, effective gross income multipliers and capitalization rates. This process involved telephone interviews with sellers, buyers and/or participating brokers. (See detailed sales write-ups in *Addenda* for more complete information on the verification process.)
- Prepared Cost, Sales Comparison and Income Capitalization Approaches to value.

Date of Value and Property Inspection

The date of our *as is* market value is April 20, 1999, the date of our inspection. The date of our *prospective market value* is on or about November 1, 2001.

Definitions of Value, Interest Appraised, and Other Pertinent Terms

The definition of market value taken from the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation, is as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Exposure Time

Under Paragraph 3 of the Definition of Market Value, the value estimate presumes that "A reasonable time is allowed for exposure in the open market". Exposure time is defined as the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effective date of the appraisal. Exposure time is presumed to precede the effective date of the appraisal.

Based on our research of recent sales of apartment complexes considered to be reasonably comparable to the subject, as well as our discussions with local brokers and buyers/sellers of multi-family projects, we have concluded that the probable exposure time for the subject property would have been approximately six to nine months. In fact, the majority of the apartment sales included within this report were exposed on the market for a period of approximately three to nine months prior to closing. Thus, the aforementioned exposure time appears reasonable.

Marketing Time

Marketing time is an estimate of the time that might be required to sell a real property interest at the appraised value. Marketing time is presumed to start on the effective date of the appraisal, whereas exposure time is presumed to precede the effective date of appraisal. The estimate of marketing time uses some of the same data analyzed in the process of estimating the reasonable exposure time and is not intended to be a prediction of a date of sale.

Our estimate of an appropriate marketing time for the subject relates to a sale of the property in its *As Is* condition. Based on our discussions with local brokers and buyer/sellers of projects like the subject, as well as our assessment of the local real estate market and economic forces in general, we concluded that the probable marketing period for the subject property in today's environment would be about 6 to 9 months.

The following definitions of pertinent terms are taken from the *Dictionary of Real Estate Appraisal, Third Edition (1993)*, published by the *Appraisal Institute*.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitation imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Market Rent

The rental income that a property would most probably command on the open market, indicated by the current rents paid and asked for comparable space as of the date of appraisal.

Cash Equivalent

A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present values at a specified yield rate. DCF analysis can be applied with any yield capitalization rate and may be performed on either a lease-by-lease or aggregate basis.

Market Value As Is on Appraisal Date

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal: related to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

Prospective Value

A forecast of the value expected at a specified future date.

Legal Description

The subject property is identified as by its legal description as Square 2132, Lot 821.

Introduction

A range of supply and demand factors affects the real estate market. As examples, the growth trends in population and the number of households affect the general demand for housing, offices, shopping centers, warehouses; the employment opportunities and unemployment levels influence the ability or desire to buy or rent and the quality/cost of the facilities sought; demographics influence the types of units demanded; and general economic conditions affect the attitudes of the populace towards the future.

The following analysis will review each of the major factors affecting the supply and demand for real estate in the metropolitan area. The discussion is organized to provide an overview of the area's geographic scope and facilities infrastructure, followed by discussions of the key economic factors affecting supply and demand under the following headings:

- Area Definition
- Background
- Infrastructure
- Population
- Household Demographics
- Employment and The Economy
- Significant Current Events

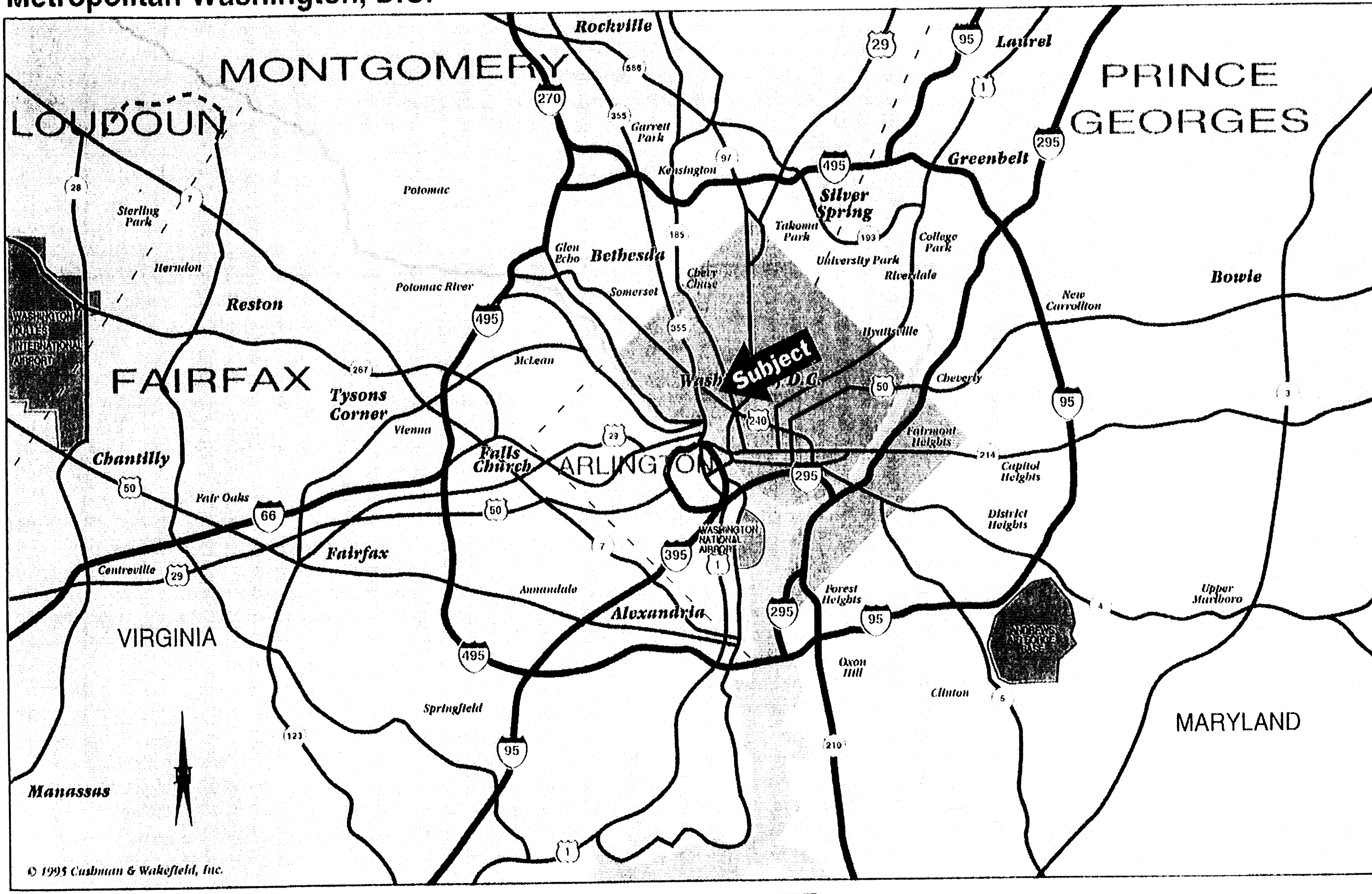
Area Definition

The metropolitan Washington area includes the entire Washington Metropolitan Statistical Area (MSA) as originally defined by the U.S. Department of Commerce, Bureau of the Census. The Washington MSA includes: the District of Columbia; the Maryland counties of Calvert, Charles, Frederick, Montgomery and Prince George's; the Virginia counties of Arlington, Fairfax, Loudoun, Prince William, and Stafford; and the Virginia independent cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. In total, the metropolitan area contains approximately 4,000 square miles.

Effective December 31, 1992, the Department of Commerce created a new Washington-Baltimore-DC-MD-VA-WVa CMSA (consolidated metropolitan statistical area) that includes the primary Washington, D.C. and Baltimore MSAs, plus a new Hagerstown MSA and nine additional counties in Virginia and West Virginia. The expanded market was created to reflect the area's household and employment patterns and is highly touted by economic development agencies. For our purposes, the current Washington, D.C. metropolitan area is the more appropriate focus, since it is more localized.

The population, housing and employment characteristics of the region are best defined by starting at the area's central jurisdictions: the District of Columbia, Arlington County, and the City of Alexandria; then moving outward to the first suburban tier of counties: Fairfax County, City of Fairfax, City of Falls Church, Prince George's County, and Montgomery County; and thence to the outer tier of suburbs: Loudoun County, Prince William County, Manassas and Manassas Park, Frederick County, Calvert County, Charles County, and Stafford County.

Metropolitan Washington, D.C.



Regional Map

Background

Washington, D.C. is unique among American cities. As our nation's capital, it serves as a focal point for our country both politically and economically. In the role as host city for a major world power, it attracts people from all over the world. For years, Washington was dubbed a "recession proof" city, the argument being that it is insulated from the full effects of economic ups and downs by the stabilizing influence of the federal government as the area's biggest employer. From the 1950s through the 1980s, the size of government continually increased, which brought about a rise in government employment and population in the Washington area. This trend reversed in the 1990s as the area was significantly impacted by the last recession, which saw falling real estate values, business consolidations and downsizings, and reductions in the overall federal government employment sector. As the nation's capital, the federal government does indeed provide a stabilizing force in the area economy, but the D.C. metropolitan area is not immune to the ups and downs of the nation's business cycles.

Infrastructure

Transportation

Since its construction in the early 1960s, The Capital Beltway (I-495) has been one of the most important factors driving development in the Washington area. It has linked the Maryland and Virginia suburbs together and significantly influenced real estate investment patterns. One of the primary results has been a steady rise in land prices in its vicinity. Apartments, light industrial facilities, distribution warehouses, and shopping centers have gone up wherever the Beltway crosses other major highways. Interestingly, closer-in sites have often been by-passed in favor of locations adjacent to the Beltway.

In addition to the Beltway, Washington is connected to I-95, the major north-south interstate highway that extends most of the length of the Atlantic coast, and I-66, an east-west highway that begins in Washington, D.C. and connects westward to other interstate highways in Virginia and West Virginia.

The Washington Metropolitan Area Transit Authority provides transit service in the District of Columbia, Maryland, and Virginia, including both rail and bus transportation. The nearly completed rail network, referred to as *MetroRail*, will cover 103 miles with 86 stations in D.C., suburban Maryland and Virginia when finished in the next few years. The construction of MetroRail has had a major impact on land values around the stations and has spurred dramatic new development, both in downtown Washington and in suburban areas. Major new office and mixed-use projects have been built around the MetroRail stops. In particular, portions of downtown Washington and Arlington County have experienced an economic revitalization due to the opening of MetroRail. Apartment projects often market themselves as being close to MetroRail stations and typically command rents at the high end of the market coupled with high occupancies. The same could be said for various primary employment centers and retail facilities.

The Washington area is served by three major airports: the recently renamed Reagan National, Washington Dulles International and Baltimore/Washington International. Reagan National Airport, located in Arlington County, is only four and one-half miles from the U.S. Capitol, and transports over 15 million passengers per year. The airport was originally built in the 1940s but a new $400 million main terminal with improved parking was completed in 1997. MetroRail also serves it.

Washington Dulles International Airport is located on the border of Loudoun County and Fairfax County in the western part of the MSA about 25 miles northwest of downtown Washington, D.C. It carried approximately 13 million passengers in 1997 and recently received a major terminal expansion increasing its total size to 511,000 square feet. The expansion was overdue as the airport's passenger usage increased by 520 percent between 1975 and 1997. The Dulles Access Road provides direct highway transportation to the airport from the Capital Beltway (I-495) and Washington, D.C.

The Baltimore/Washington International Airport (BWI) is located in the southern portion of the Baltimore MSA in Anne Arundel County, ten miles from downtown Baltimore, and 30 miles from Washington, D.C. BWI handled 14 million passengers in 1997 led by US Air, which served over six million passengers and Southwest Airlines, which served over 2.4 million passengers. BWI also provides service to air-freight carriers with its 110,000 square foot air cargo complex. A $140 million expansion was recently completed for a new international pier, which added 365,000 square feet of space to the airport, doubling BWI's current capacity. When compared with Dulles and Reagan National, BWI services 28 percent of commercial passengers, 38 percent of commercial operations and 57 percent of freight customers.

Government Services and Structures

The Washington, D.C. metropolitan area contains sixteen different jurisdictions, including the District of Columbia, ten counties and five cities. Local governments provide typical municipal services found in a major metropolitan area, including welfare and social services, refuse collection, emergency services, public education, and a variety of regulatory functions. Each municipality has its own zoning ordinance and governmental structure.

In addition to the local governments, the area is the headquarters for the federal government. Major federal agencies are located throughout the District of Columbia and many of the surrounding suburbs. Both the federal and local governments are major employers in the MSA.

The area is also served by several cross-jurisdictional agencies. These include the Maryland National-Capital Park and Planning Commission, which provides planning and zoning coordination to the Maryland suburbs. The Washington Metropolitan Area Transit Authority is the regional public transit authority. The Metropolitan Washington Council of Governments performs studies on metropolitan economic and business issues and promotes the region to outsiders.

Public and Private Amenities

As the nation's capital, the District of Columbia houses many national museums, monuments, and institutions that attract visitors to the area from around the world. Washington, D.C. is one of the leading tourist destinations for domestic travelers and foreign visitors to the United States. Annually, over 21 million overnight guests come to the area. A major attraction is the Smithsonian Institute, which accommodated over 28 million visitors in 1998.

In addition, the metropolitan area is a strong supporter of the performing arts. The Kennedy Center is the area's main stage for plays, operas, and symphony presentations.

Several new sports arenas were recently constructed. Downtown Washington is anticipating a revitalization of the China Town district as a result of the December 1997 opening of the new

MCI Arena which serves as the home to the Washington Wizards of the National Basketball Association and the Washington Capitals of the National Hockey League. The 20000 seat arena is expected to be utilized 200 days per year, equating to an influx of 4 million new visitors each year. The Washington Redskins of the National Football League opened their new 79,000 seat, Jack Kent Cooke Stadium in Landover in Prince George's County, Maryland in 1997. Also, a new 70,000 seat stadium for the Baltimore Ravens NFL franchise opened in 1998 in Baltimore City's inner harbor area following the highly successful Oriole Park at Camden Yards baseball stadium.

The region also offers numerous private and public golf courses, municipal parks, and bicycle trails. One unique feature of the region's outdoor attractions is the historic C&O Canal. Maintained as a national park, it follows the Maryland side of the Potomac River between Georgetown in northwest Washington, D.C. and Cumberland, Maryland. The Potomac River is an active recreational area for fishing and various kinds of boating and also provides maritime access to the Chesapeake Bay and Atlantic Ocean beyond.

The public and private primary schools in the region include many with national standing. The school districts face the typical challenges encountered in urban centers with mixes of high and low income neighborhoods and growing immigrant populations without English language skills. On average, the suburban school districts tend to be better funded than those in the District of Columbia.

With respect to higher education, the region has a network of nationally recognized universities as well as regional and community colleges. These include George Washington University, Georgetown University, American University, the University of Maryland, Howard University, Gallaudet University, the University of the District of Columbia, Catholic University, George Mason University, Marymount University and Trinity College. The main campus of Johns Hopkins University is in Baltimore with satellite locations in the District.

Population

According to *Demographics USA 1998,* published by Market Statistics, the Washington, D.C. MSA ranks fifth in the nation in terms of total population with 4,623,200 residents. This represents a 9.4 percent increase since 1990, or 1.1 percent per year. The population is projected to increase another 5.7 percent in the next five years to 4,885,300, which translates to over 52,000 new residents per year.

While there was an overall increase in population throughout the Washington MSA, it was by no means uniform among the various component jurisdictions. The 1980s saw a shift in population from the inner city and close-in suburbs to the more remote suburban areas. The chart on the following page presents population data and the average growth rates for the various jurisdictions in the MSA prior to the 1992 expansion.

The District of Columbia was the big loser during this period with an average annual decline of 0.5 percent during the 1980s. Their annual rate of decline continued to grow substantially to 1.8 percent per year between 1990 and 1998, as more residents fled to the suburbs.

Population Changes 1998 Estimate Versus 1990 Census and 1980 Census					
Jurisdiction	**Population (000s)**			**Annual Average Growth Rate (%)**	
	1980	**1990**	**1998**	**1980-1990**	**1990-1998**
District of Columbia	638.3	606.9	523.8	-0.50%	-1.82%
Arlington County, VA	152.6	170.9	178.0	1.14%	0.51%
City of Alexandria, VA	103.2	111.2	118.2	0.75%	0.77%
Central Jurisdictions	**894.1**	**889.0**	**820.0**	**-0.06%**	**-1.00%**
Fairfax County, VA	596.9	818.6	915.5	3.21%	1.41%
City of Fairfax, VA	19.4	19.6	21.1	0.10%	0.93%
City of Falls Church, VA	9.5	9.6	9.8	0.10%	0.26%
Montgomery County, MD	579.1	757.0	831.0	2.72%	1.17%
Prince George's County, MD	665.1	729.3	784.5	0.93%	0.92%
Inner Suburban Area	**1,870.0**	**2,334.1**	**2,561.9**	**2.24%**	**1.17%**
Prince William County, VA	144.7	215.7	255.1	4.07%	2.12%
Loudoun County, VA	57.4	86.1	132.3	4.14%	5.52%
Stafford County, VA	40.5	61.2	86.4	4.21%	4.40%
City of Manassas, VA	16.9	28.0	33.4	5.18%	2.23%
City of Manassas Park VA	5.1	6.7	6.9	2.77%	0.37%
Frederick County, MD	114.8	150.2	184.1	2.72%	2.58%
Charles County, MD	72.7	101.2	116.6	3.36%	1.79%
Calvert County, MD	34.6	51.4	70.2	4.04%	3.97%
Outer Suburban Area	**486.7**	**700.5**	**885.0**	**3.71%**	**2.97%**
TOTAL	**3,250.8**	**3,923.6**	**4,266.9**	**1.90%**	**1.05%**

Source: U.S Census Data and Market Statistics: *Demographics USA 1998*

In contrast, the inner suburbs had an annual average growth rate of 2.2 percent during the 1980s. The largest jurisdictions, Fairfax County, Virginia, and Montgomery County, Maryland, posted annual growth rates of 3.2 percent and 2.7 percent, respectively. Both counties were also the main suburban benefactors of new commercial office and retail development during the decade. The growth in these jurisdictions during the 1990s has tailed off to annual growth rates of 1.4 percent for Fairfax County and 1.2 percent for Montgomery County. It is interesting to note that the most populated local jurisdiction in 1980, Prince George's County, Maryland has now fallen to third place despite consistent growth of 0.9 percent during both decades.

The largest population increases occurred in the outer suburbs, the areas beyond the first tier jurisdictions surrounding the District of Columbia. The average annual rate of increase in these outer suburban areas was 3.7 percent during the 1980s. Even though the rate of increase has fallen off since 1990, it is still an impressive 3.0 percent. The primary growth areas during the 1980s were Stafford County, Loudoun County, Prince William County, Calvert County and the City of Manassas, each of which enjoyed annual growth rates in excess of 4.0 percent. During the 1990s the growth patterns have switched somewhat with only Loudoun County, and Stafford County growing at rates above 4.0 percent. Loudoun County is the most impressive local jurisdiction in terms of population growth, with an increase of 231 percent since 1980.

The District of Columbia has lost almost 18 percent of its population since 1980 while the suburban areas have grown. This phenomenon is being seen in many major metropolitan areas in the United States especially along the East Coast. Nevertheless, in the metropolitan Washington, D.C. area the population decreases in the District of Columbia are more than overcome by the population increases in the suburban areas. This attests to the continuing strength and viability of the entire area and simply reflects the continuing shift from urban to suburban growth centers.

Household Demographics

One of the more important demographic factors influencing the demand for goods and services is the household. The household is the basic consuming unit in the housing market. It is defined by the U.S. Census as a person or group of people who jointly occupy a dwelling unit and who constitute a single economic unit for the purposes of meeting housing expenses. The household unit can be a family, two or more individuals living together, or a single person. The area's historical household growth patterns help define the region and are shown in the following chart.

Household Changes
1998 Estimate Versus
1990 Census and 1980 Census

Jurisdiction	Households (000s)			Annual Average Growth Rate (%)		Population per HH
	1980	1990	1998	1980-1990	1990-1998	1998
District of Columbia	253.1	254.6	220.7	0.06%	-1.77%	2.37
Arlington County, VA	71.6	75.9	81.1	0.58%	0.83%	2.19
City of Alexandria, VA	49.0	55.6	56.8	1.27%	0.27%	2.08
Central Jurisdictions	**373.7**	**386.1**	**358.6**	**0.33%**	**-0.92%**	**2.29**
Fairfax County, VA	205.2	280.1	327.6	3.16%	1.98%	2.79
City of Fairfax, VA	6.9	7.4	7.9	0.70%	0.82%	2.67
City of Falls Church, VA	4.3	4.6	4.4	0.68%	-0.55%	2.23
Montgomery County, MD	207.2	272.4	310.9	2.77%	1.67%	2.67
Prince George's County, MD	224.8	255.3	276.5	1.28%	1.00%	2.84
Inner Suburban Area	**648.4**	**819.8**	**927.3**	**2.37%**	**1.55%**	**2.76**
Prince William County, VA	43.8	63.4	83.3	3.77%	3.47%	3.06
Loudoun County, VA	18.7	26.6	47.3	3.59%	7.46%	2.80
Stafford County, VA	12.2	18.1	27.9	4.02%	5.56%	3.10
City of Manassas, VA	5.1	7.8	11.3	4.34%	4.74%	2.96
City of Manassas Park, VA	1.8	2.3	2.1	2.48%	-1.13%	3.29
Frederick County, MD	37.5	50.8	65.2	3.08%	3.17%	2.82
Charles County, MD	21.4	31.5	38.5	3.94%	2.54%	3.03
Calvert County, MD	10.7	17.7	23.3	5.16%	3.50%	3.01
Outer Suburban Area	**151.2**	**218.2**	**298.9**	**3.74%**	**4.01%**	**2.96**
TOTAL	**1,173.3**	**1,424.1**	**1,584.8**	**1.96%**	**1.35%**	**2.69**

Source: U.S Census Data and Market Statistics: *Demographics USA 1998*

The figures show that the number of households in the region grew at an average annual rate of 2.0 percent during the 1980s. The rate has slowedto about 1.4 percent per year for 1990 through 1998. As with the population figures presented earlier, household formation has become negative in the District of Columbia while the outer suburbs have had the strongest 1990s growth rates at an average annual rate of 4.0 percent.

There has been an increasing drop in household size in the Washington metropolitan area and, correspondingly, a growth in the number of non-family households. This is highlighted by the lower population per household figures that show the central jurisdictions possess an average of 2.29 persons per household while the outer suburbs show an average of 2.96. Overall, the area has 2.69 persons per household which closely compares to the national average of 2.70.

Another important issue affecting real estate demand is household income. The following chart shows the average effective buying income (EBI) per household for the local jurisdictions. According to *Demographics USA 1998*, EBI is money income less personal tax payments. Thus, EBI is a reflection of disposable, or after-tax, income.

Average Effective Buying Income Per Household 1998 Estimate versus 1990				
Jurisdiction	Average EBI per Household		Growth Rate	Households Above
	1990	1998	1990-1998	$75,000
Central Jurisdictions				
District of Columbia	$39,966	$53,623	3.74%	19.1%
Arlington County, VA	$51,635	$59,696	1.83%	25.1%
City of Alexandria, VA	$51,957	$56,482	1.05%	20.2%
Inner Suburban Area				
Fairfax County, VA	$61,816	$75,407	2.52%	39.9%
City of Fairfax, VA	$61,758	$65,751	0.79%	29.9%
City of Falls Church, VA	$59,410	$70,294	2.13%	34.2%
Montgomery County, MD	$60,646	$68,269	1.49%	30.2%
Prince George's County, MD	$49,167	$49,211	0.01%	15.0%
Outer Suburban Area				
Prince William County, VA	$47,307	$56,963	2.35%	20.3%
Loudoun County, VA	$47,719	$54,630	1.71%	17.9%
Stafford County, VA	$43,218	$46,078	0.80%	10.0%
City of Manassas, VA	$40,894	$54,578	3.67%	16.0%
City of Manassas Park, VA	$38,106	$59,508	5.73%	22.7%
Frederick County, MD	$41,692	$48,692	1.96%	13.6%
Charles County, MD	$43,066	$54,515	2.99%	20.9%
Calvert County, MD	$42,482	$50,302	2.13%	14.6%
TOTAL- DC AREA	**$51,811**	**$60,607**	**1.98%**	**24.9%**
NATIONAL AVG	**$35,179**	**$43,956**	**2.82%**	**12.3%**
Source: Market Statistics: *Demographics USA 1998*				

The metropolitan area enjoys an average EBI per household of $60,607, almost 38 percent greater than the national average of $43,956. Each local jurisdiction lies well above the national average with the higher income areas generally found within the inner suburban areas such as Fairfax County at $75,407, and Montgomery County at $68,269. The lower income areas are generally in the outer suburban areas such as Stafford County at $46,078, and Frederick County at $48,692. Almost one-quarter of the area households feature an average household EBI above $75,000, double the national average of 12.3 percent. Again the most affluent jurisdictions include Fairfax County, Montgomery County and the City of Falls Church, each of which has at least 30 percent of its households above $75,000.

Employment and The Economy

The employment picture has a very significant effect on the demand for real estate. High unemployment rates and business downsizing, for example, reduce the number of households able to buy homes. Similarly, a growing economy creates increasing demand for goods and services. This section will review the recent trends and the outlook for employment in the Washington, D.C. region.

Employment Characteristics

The region enjoyed a period of unusual growth during the 1980s. The peak year for job growth was 1984, when 107,000 jobs were created. By 1990, the local economy was being affected by the national recession and the area's job base reached a peak of 2,383,600 in June 1990. Over the next 20 months, the local economy lost 5.8 percent of its jobs. Measured from the February 1992 low point, the local economy has added 300,700 new jobs through August 1998. This equates to an annual job growth rate of 1.95 percent since bottoming out.

The job recovery has not been equally distributed between the District of Columbia and the suburbs. Since February 1992, the suburbs gained 358,300 new jobs, an increase of 22.7 percent, while the District lost 57,600 jobs, a decrease of 8.6 percent. During 1997, the District of Columbia lost a net total of 4,300 jobs consisting of the elimination of 6,900 federal and local government jobs and a gain of 2,600 new jobs in the private sector. The District Government is involved in a major downsizing effort and reduced their workforce by 10.3 percent during 1997. Virtually all of the new job gains in the private sector were found in the services group with engineering and management services and legal services showing the largest increases.

Government employment (federal, state and local) in the region constituted 22.7 percent of the total jobs as of August 1998. This ratio is down slightly from the January 1997 figure of 24.2 percent and exemplifies an overall decline in the last five and one-half years. Federal employment reached its peak in July 1992 when there were 397,800 local jobs. Almost 60 percent of these were located in the District of Columbia. Currently, federal employment stands at 340,600, a decline of 57,200 jobs, or 14.4 percent. Over 80 percent of the eliminated positions were located in the District of Columbia, which has incurred a total loss of 46,000 jobs, or 19.6 percent, during this time period.

The most dramatic change in employment in the Washington area has been in the private sector, particularly the emergence of the service industry as the fastest growing and now largest employment opportunity. In 1960, the services industry employed 18 percent of all non-agricultural workers. This has grown to 39.2 percent as of August 1998. Of the 52,500 jobs created in the metropolitan area during 1997, almost 75 percent were in the service industry.

Construction employment peaked in 1988 when it accounted for 6.6 percent of the area's workforce. When the construction boom of the late 1980s came to an abrupt halt in 1990, the percent share of employment held by the construction sector fell to 4.0 percent in 1995. However, construction employment is once again on the rise and now accounts for 5.4 percent of all area jobs.

Considering the new "high-tech" industry, several major telecommunications and technology companies have chosen the metropolitan Washington area for their corporate headquarters or major expansions. Originally attracted by the local research institutions and government proximity, a critical mass now exists that feeds off the local highly educated workforce. Northern Virginia hosts the bulk of these firms and is now one of the nation's top high-tech areas. Specific companies with a large local presence include MCI/Worldcom, America On Line, Sprint, Global One. Bell Atlantic, WinStar Communications, Oracle, UUNet, Lucent Technologies, Cable & Wireless USA, Orbital Sciences, Nextel Communications and DynCorp.

Finally, retail and wholesale trades have maintained a steady portion of total employment thus indicating that employment in these sectors expands and contracts with the economy.

We noted earlier a growing diversification of the area's employment base. The following list of major private employers in the Washington area reflects the growing diversity of the local economy, the continuing influence of educational institutions, and the emergence of service-oriented firms.

Largest Private Employers
Ranked by Total Employees in Metro Area

Rank	Company Name	Metro Area Employees
1	Giant Food Inc.	21,422
2	McDonald's	19,100
3	Marriott International	15,000
4	Bell Atlantic	14,000
5	Inova Health Systems	11,000
6	Safeway	11,000
7	Lockheed Martin Corp.	9,000
8	Hecht's (May Company)	8,000
9	Georgetown University	7,905
10	MCI WorldCom	7,500

Source: Washington Business Journal, October 1998

If the federal government were included in the above list, the Department of Defense would be the largest local employer, with over 86,000 employees. The next closest is the Department of Health and Human Services with more than 30,000 employees. The Treasury, Justice, Postal Service, and Commerce Departments all have about 20,000 employees, and are equivalent in terms of employment to the area's largest private firm.

The local governments are also major employers in the region. For example, the City of Alexandria had over 5,100 employees between the city government, Alexandria Hospital, and the public school system. Arlington, Fairfax, and Loudoun Counties have approximately 6,800, 25,500, and 3,900 employees, respectively. Montgomery County and Prince George's Counties are similarly large local employers. Despite their recent downsizing, the District of Columbia is still the largest local jurisdictional workforce with 35,100 employees, one for each 14.9 residents.

Unemployment Rates

According to the U.S. Census, the Washington region has one of the highest labor force participation rates in the country, with more than 75 percent of the population between the ages of 16 and 65 being part of the labor pool. This is ten percent higher than the national average.

For most of the 1980s, the demand for workers was increasing at a faster rate than the number of workers in the area, causing a labor shortage. The 1991 through 1993 recession, however, halted job growth in the area and drove up unemployment rates. This trend reversed in 1993 and unemployment rates have dropped consistently since the peak of 5.3 percent in 1992. The following chart shows the unemployment rates of the metropolitan Washington area have consistently outperformed the national average.

Unemployment Rates

Year	1990	1991	1992	1993	1994	1995	1996	1997
Washington MSA	3.2%	4.5%	5.3%	4.7%	4.1%	4.2%	3.9%	3.5%
United States	5.6%	6.8%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%

Source: Real Estate Center at Texas A&M University and U.S. Bureau of Labor Statistics

Looking at individual area statistics within the MSA, the unemployment rate in the District of Columbia typically exceeds that of the suburban areas. The most recent data for the District of Columbia was for November 1998 and indicated an 8.7 percent unemployment rate. The national average of 4.8 percent in January 1999, while the State of Maryland was lower at 4.1 percent. Montgomery County had a January 1999 rate of 2.0 percent.

Employment Outlook

The outlook for employment in the region continues to be strong. The construction sector has made a tremendous rebound within the last few years and, along with the service sector, has more than offset the recent federal and local government downsizings.

The economy continues to gain strength. Since the bottom of the last recession, over 300,000 jobs have been created, an average of more than 45,000 jobs per year. Thus, about 12 percent of the current positions have been created during this time period. This job growth trend is even more impressive when it is considered that the federal government has eliminated about 15 percent of its workforce during this period. Thus, the private sector has been creating more than 60,000 jobs annually.

Real Estate Markets

The following paragraphs summarized the various segments of the Washington, D.C. area real estate markets, namely: office, retail, industrial and multifamily.

- **Office** - The market contains over 210 million square feet of privately owned office space distributed among 30 submarkets within seven jurisdictions. As of the fourth quarter 1998, the overall vacancy rate stood at 6.5 percent, reflecting a significant improvement from year-end 1997 when it stood at 10.6 percent. Although some submarkets in the region remain soft, the overall vacancy rate continues to decline, and the remaining available space tends to be less desirable. Northern Virginia, in particular, is leading the region in net absorption. and has shown above average increases in rental rates.

Until 1997, many office tenants were making an exodus from the District to the suburbs (attributable to the continuing cost cutting in large regional and national firms). With the rapid rise in suburban rental rates and the overall strength or influence of the federal government, the cost spread between downtown and the suburbs narrowed, stanching the outflow of major tenants.

We believe that the metropolitan office market has reached a stabilized position both from an occupancy and rental rate standpoint. Construction has jumped from the lows of 1993 as new build-to-suits commenced. During 1997, speculative development returned with a vengeance in Northern Virginia and is now also occurring in Montgomery County, Maryland and will shortly be occurring in the District. In particular, Class A space has demonstrated tremendous strength, absorbing more than its fair share of the total market absorption and achieving strong rent growth. While some Class B product may mirror the growth rates for Class A space, the majority will most likely only experience marginal growth given the supply of Class B space compared to the demand for it.

- **Retail** - The Washington, D.C. metropolitan area consistently ranks fifth in the nation in retail sales volume. Its strong population growth, high household income levels, and the population's spending patterns create an environment that is highly attractive to retailers. As a result, the region is at the forefront of most retailing trends.

  The inventory of retail product in the region is not available from any single source. There are in excess of 25 regional malls in the metropolitan area encompassing more than 23 million square feet. Rental rates in the malls range from $15 to $80 per square foot with mid quality malls having sales of $300 to $350 per square foot. The better malls are selling at a rate in excess of $500 per square foot.

  Community and neighborhood shopping centers extensively serve the region's residential communities and compete with big box and category killer stores. Inventory figures are not available. Generally, occupancies are generally in excess of 95 percent and rental rates for new anchor tenants are in the $10 to $15 per square foot range, with shop space typically in the $15 to $25 per square foot range. Some of the high-volume retail corridors (Rockville Pike, Georgetown) achieve much higher rental rates and have higher occupancy levels.

- **Industrial** - Relative to other metropolitan areas, the Washington, D.C. market contains a smaller base of traditional industrial development. Furthermore, a significant percentage of the industrial space in the metropolitan Washington area consists of flex space that offers a combination of office and warehouse. This type of space is appealing to the numerous start-up high-tech firms as well as the traditional construction and service oriented companies. There are few true manufacturing facilities and the high-bulk distribution buildings are largely limited to submarkets along I-95. The metropolitan Washington D.C. industrial market is estimated to contain 61.1 million square feet with an overall 1998 vacancy of 10.8 percent, according to SIOR. About 55 percent of the inventoryis devoted to warehousing, while only

13 percent consists of manufacturing facilities. Absorption is once again positive with minimal new construction. Consequently, vacancy rates have been declining especially in the Northern Virginia markets where they are approaching *frictional vacancy* in many submarkets.

- **Multifamily** - Multi-family development activity in the Washington D.C. metropolitan area is lead by the strength of the Northern Virginia market. Northern Virginia continues to outpace Washington D.C. and the Maryland suburban counties in terms of rent increases and development activity. Much of this activity is driven by the demand to locate near employment centers and Northern Virginia job growth surpasses that of Washington D.C. and Suburban Maryland. Market rate units under construction in northern Virginia have reached their highest levels in nearly ten years. Suburban Maryland has also witnessed a surge in new construction and has an extensive pipeline of projects in the planning stages. Despite the increase in units under construction, the market has absorbed the new product at a rate that has prevented an oversupply of units and remains in equilibrium. Vacancy levels for Class A properties remain below five percent in most submarkets. The major constraint to continued development is the lack of available sites that can support quality apartment construction. This issue is contributing to escalating land prices for the sites that are on the market.

Significant Current Events

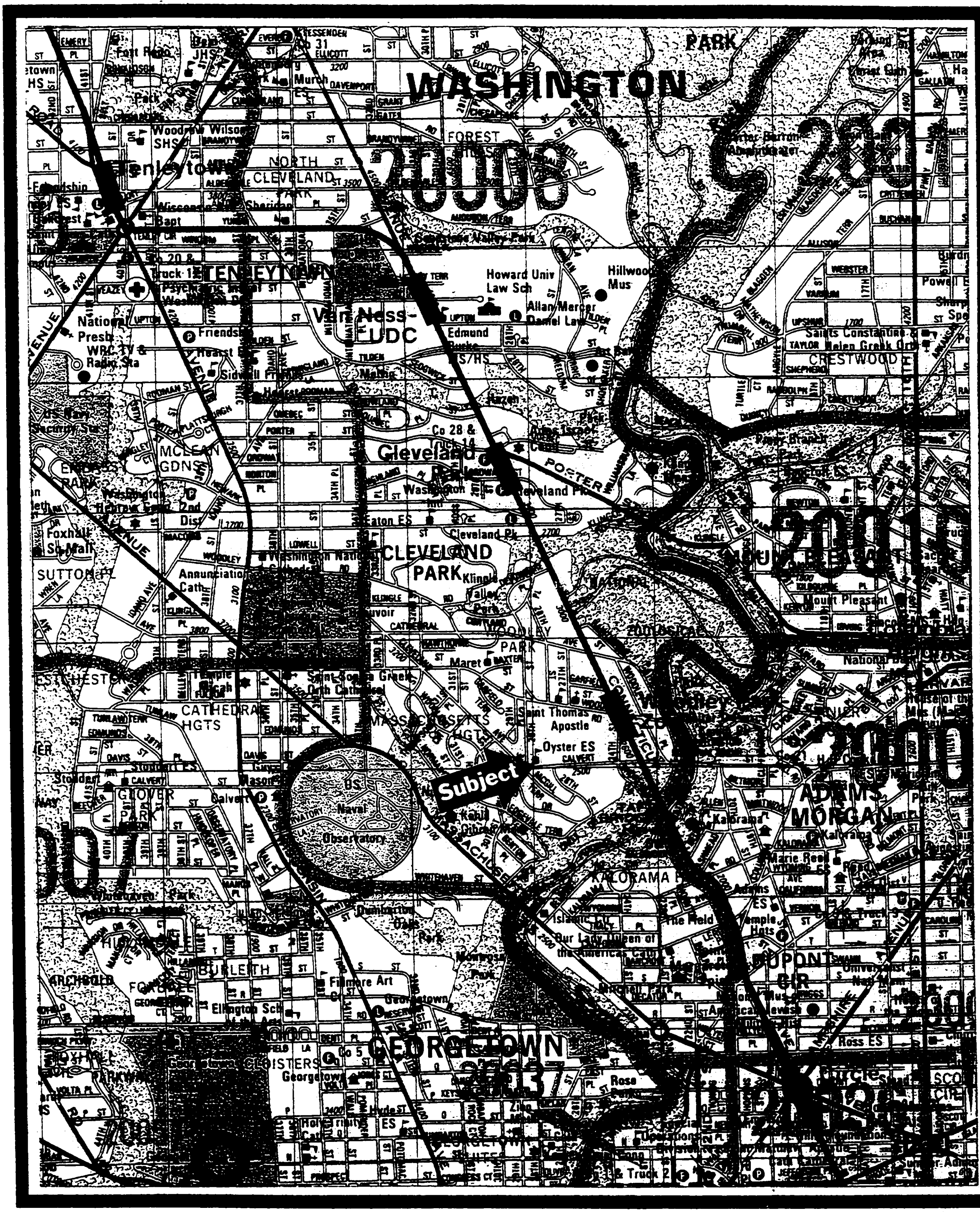
The following paragraphs highlight significant current events in the metropolitan Washington D.C. area that will have a continuing influence on the local economy.

- After years of delays, groundbreaking finally occurred for a new 2.1 million square foot Washington Convention Center. The $650 million project is located at Mount Vernon Square near 8th and K Streets, NW. Upon completion in four years, the new convention center promises to continue the revitalization of the East End and boost the local tourism economy.

- The opening of the MCI Center sports arena in December 1997 has been largely credited with spurring new development in the East End as numerous restaurants, shops, offices and other spin-off developments have started. One of the most notable is the 550,000 square foot Gallery Place retail and entertainment complex that is planned on an adjacent block. Additionally, the China Town section of the city, which is adjacent to the arena, is expected to reap considerable benefits.

- The District of Columbia's financial recovery has been positively influenced by new financial incentives enacted by Congress in late-1997. As a result, new mayor, Anthony Williams, assumed control of all city departments from the D.C. financial control board in January 1999. An updated comprehensive plan was passed in late-1998 that is expected to open several restricted properties to new development in the blocks surrounding the convention center and sports arena.

- MCI WorldCom began construction during 1998 of a 534-acre campus in Loudoun County, Virginia to house the telecommunications giant's future Internet operations. The $200 million


WASHINGTON
FOREST
NORTH CLEVELAND PARK
Howard Univ Law Sch
Hillwood Mus
Van Ness-UDC
Edmund Burke
Sidwell Friends
CRESTWOOD
MCLEAN GDNS
Cleveland Park
Eaton ES
CLEVELAND PARK
WOODLEY PARK
SUTTON PL
Annunciation Cath
CATHEDRAL HGTS
Oyster ES
Subject
U.S. Naval Observatory
GLOVER PARK
ADAMS MORGAN
KALORAMA
BURLEITH
Fillmore Art
Dumbarton Oaks Park
Ellington Sch
GEORGETOWN
Rose Park
Ross ES
DUPONT CIR

Area Map

project is expected to initially employ 4,000 high-tech workers with eventual space for more than 10,000 workers.

- Office vacancy rates in Northern Virginia reached all-time lows below 5.0 percent in 1998. This spurred a large wave of new construction fueled by the area's thriving high technology industries. As of mid-year, there were 42 buildings under construction totaling over 6.4 million square feet. Over 60 percent of the space had lease commitments.

- The December 1998 opening of the 1.4 million square foot Dulles Town Center was the first regional shopping mall to open in Northern Virginia in ten years. In Maryland, the $320 million Silver Spring Town Center project got underway and will feature upscale shops and theaters along with a new civic building and the headquarter offices for Discovery Channel, Inc.

Summary

The long-term outlook for the metropolitan Washington area continues to be good. The expanding population of the area indicates an increase in demand for goods and services. The trend toward smaller household sizes provides additional demand pressures for new housing. The major factors affecting real property values are sound and future trends appear to point toward continued economic vitality for the region.

The region has rebounded successfully from the recession of the early 1990s and now features annual job growth in the 2.0 percent range. Unemployment levels are extremely low with an overall rate of 3.5 percent and continue to be one of the lowest levels in the United States. As a result of these factors an abundance of new real estate development has begun to occur in many areas including some speculative projects.

Real estate values are firming in this climate, with some property values on the increase while other areas remain stable. For the short-term, we expect that real estate values will show improvement in value in certain sectors. For the long-term, the market appears to be sound, with strong demographics and reasonable prospects for increasing values in the future.

Location

The subject property is located at the northeast corner of 29th and Calvert Streets, N.W. in an area of the District of Columbia known as Woodley Park. The boundaries of the neighborhood are considered to be:

North:	Klingle Road
East:	Rock Creek Park
South:	Calvert Street
West:	34th Street

Access/Transportation

Connecticut Avenue is the main north-south artery traversing the area, which begins to the south at K Street in the central business district and extends northward into Maryland, where it becomes Maryland Route 185. Major east/west arterials in the neighborhood intersecting Connecticut Avenue include Massachusetts Avenue and Calvert Street.

Massachusetts Avenue is a four-lane thoroughfare that extends from the CBD in the east to neighborhoods in Northwest D.C. and Montgomery County, Maryland in the west. Calvert Street is a four-lane roadway linking Woodley Park to the neighborhoods of Adams Morgan and Dupont Circle to the east and Rock Creek Parkway to the west. Rock Creek Parkway extends to the north to locations in Montgomery County and Upper Northwest Washington and south to the Potomac River Waterfront and The Mall.

The neighborhood is served by the Red Line of Metrorail and Metrobus. The Woodley Park – Zoo Metro station is located within two blocks of the subject and Metrobus has routes throughout the neighborhood.

Nearby Land Uses/Neighborhood Characteristics

The subject neighborhood represents a fully developed urban location. Land uses in the immediate environs consist of a variety of residential housing types, commercial establishments, institutional facilities and recreation areas. Connecticut Avenue is replete with retail uses designed to serve the immediate needs of local residents and tourists. Retail development in the immediate area consists of one- and two-story retail storefronts and strip centers such as Van Ness Square located to north of the subject. Retail uses in proximity to the subject include small grocery stores, dry cleaners, banks, numerous restaurants/bars and antique shops.

Tourists attractions in the area include Woodley Park Zoo and the National Cathedral. Accommodations for tourists are available at two of the most distinguished hotels of the District, the Sheraton Washington and the Omni Shoreham. The Sheraton is located on Woodley Road and the Omni is located on Calvert Street.

The residential component of the immediate environs includes single-family dwellings and numerous low rise and high rise apartment and condominium developments. According to Equifax National Decision Systems (ENDS), approximately 61 percent of all housing units within a one-mile radius of the subject property were constructed before 1939. The median property value within a one-mile radius of the subject is $444,297. Approximately 56 percent of owner-occupied properties are valued over $400,000, of which about 42 percent are valued greater than $500,000.

The housing occupancy rate is relatively high with about 92 percent of all dwelling units being occupied within a one-mile radius. Of the vacant units, approximately 42 percent are for rent. There is a larger proportion of renter-occupied units in the immediate vicinity, with almost 64 percent of the occupied housing units being renter-occupied.

Residents of the Woodley Park are also located in close proximity to numerous educational institutions. Universities in the area include American University, the University of the District of Columbia, Howard University and Georgetown University. The property is also located in close proximity to three prestigious private schools of Washington: Sidwells Friends School, St. Alban's and National Cathedral Schools on the east side of Wisconsin Avenue.

Population

ENDS also provided demographic data for the subject's micro market. Using the subject address as the focal point, we have segregated our survey into one, three and five-mile concentric circles. A detailed demographic profile of the neighborhood is included in the *Addenda*. The population data for the one, three and five mile area surrounding the subject is highlighted in the following table.

Proposed Henry Adams House Apartments
Washington, DC

Demographics Report

	1 Mile	Annual Compound Growth	3 Miles	Annual Compound Growth	5 Miles	Annual Compound Growth
POPULATION						
2003 Projection	30,003	-1.8%	249,643	-1.4%	549,052	-1.0%
1998 Estimate	32,800	-1.5%	267,570	-1.2%	578,304	-1.0%
1990 Census	37,018	0.0%	294,891	0.3%	624,954	1.8%
1980 Census	37,134		286,073		523,507	
HOUSEHOLDS						
2003 Projection	17,594	-1.4%	115,895	-1.2%	248,165	-0.8%
1998 Estimate	18,912	-1.1%	122,994	-1.0%	258,552	-0.7%
1990 Census	20,714	0.2%	132,964	0.3%	273,539	0.2%
1980 Census	20,386		128,699		267,041	
HOUSEHOLD SIZE						
2003 Projection	1.7		2.2		2.2	
1998 Estimate	1.7		2.2		2.2	
1990 Census	1.8		2.2		2.3	
1980 Census	1.8		2.2		2.0	
1998 Average HH Income	$97,392		$80,867		$79,359	
1998 Median HH Income	$63,667		$52,402		$54,961	
1998 Per Capita Income	$57,885		$38,902		$36,666	

Population within a one-mile radius decreased in the decade from 1980 to 1990 at a rate of 0.031 percent per year. The estimate for 1998 indicates population decreases at a rate of 1.5 percent per year since 1990. Projections for the Year 2003 are that population growth will continue to decrease, albeit at the slightly higher rate of 1.8 percent. These decreases arenot unusual for an urban area that is nearly 100 percent developed.

Households

A household consists of all the people occupying a single housing unit. National trends indicate that the number of households is increasing at a faster rate than the growth of the population, although the tabulated data only moderately supports this phenomenon locally. Several noticeable changes in the way households are being formed have caused the acceleration in this growth, specifically:

- The population in general is living longer on average. This results in an increase of single and two person households.
- The divorce rate has remained high, resulting in an increase in single person households.
- Many individuals have postponed marriage, thus also resulting in more single person households.

The number of households within a one-mile radius increased at an annual rate of 0.2 percent from 1980 to 1990. The estimate for 1998 indicates a decrease of 1.1 percent per year since 1990. The projection for 2003 predicts that the number of households in the area will decrease at an even faster rate of 1.4 percent per year over the next five years. The household size within the one-mile radius is projected to remain stable, although is nearly 33 percent below the three- and five mile radius figures

Income

According to Equifax, the median household income for 1998 within a one-mile radius of the subject property is $63,667. Approximately 63 percent of households have incomes over $50,000 and almost 28 percent have household incomes above $100,000. The unemployment rate is 2.01 percent, with about 62 percent of the labor force having executive, managerial and professional specialty positions. Over 53 percent of the workforce either walk to work or use public transportation and over 37 percent drive to work.

Special Hazards or Adverse Influences

We observed no detrimental influences in the neighborhood, such as landfills, flood areas, noisy or air polluting industrial plants, or chemical factories.

Recent Developments/Planned Competition

The most significant development in the immediate area is the construction of Park Connecticut Apartments on the 4300 block of Connecticut Avenue. Delivery of this 142-unit high rise project is slated for August 1999. Additional residential development occurring along Connecticut Avenue consists of a 30-unit high rise condominium known as Park Hill with delivery projected for November 1999. Asking prices for units will range from $185,000 to $469,000.

Other new development in the area consists of a three-story office building with retail space to be constructed by the American Association of Housing and Services for the Aging. Projected delivery of this 30,000± square foot building to be located on the southeast corner of Connecticut and Calvert is December 2000.

Conclusion

Overall, the subject neighborhood is considered to be a stable urban location with high incomes. The location is well known for the National Cathedral, Woodley Park Zoo, outstanding views of the District and Virginia and easy access to the Central Business District, Georgetown, and upper Northwest. The area is nearly 100 percent built-out with a strong residential market and thriving retail and entertainment establishments. It is our opinion that all these characteristics suggest a continued viability over the long term.

The Investment Climate for Apartments

To present an accurate picture of current and forecasted conditions of the apartment market within the Washington metropolitan area, we compiled data regarding the overall market, various delineated submarkets and the subject's specific micro market. The data utilized in this analysis was obtained from various sources including the *Year End 1998 Report: Washington/Baltimore Region Class A Rental Apartment Market* published by Delta Associates, Inc., First Quarter 1999 *Real Estate Investor Survey* published by Korpacz, *Emerging Trends In Real Estate 1999* published by ERE Yarmouth and RERC, and data contained in our files specific to apartment projects in suburban Washington. Supplemental information regarding specific competitive apartment projects that have an impact on the subject (i.e., micro market) was provided by interviews with property managers and knowledgeable market participants.

Investment Climate

Investors in the investment-grade apartment market today include pension funds, insurance companies, real estate investment trusts (REITs), and private partnerships, among others. Such investors typically purchase stabilized apartment properties on a direct capitalization basis. Capitalization rates for well-located, Class A properties have been as low as 7.0 to 8.0 percent on recent sales. However, the discounted cash flow analysis is also utilized as a check on the reasonableness of the direct capitalization method, as well as in cases where the property is not stabilized. The effective gross income multiplier (EGIM) and the "price per unit" are also common units of comparison; however, such units of comparison are generally given secondary emphasis due to the significant physical differences between various apartment complexes, as well as differences between the components of effective gross income.

According to the Korpacz survey, the apartment market is still extremely competitive among institutional investors with competition occurring between REITS and pension funds. The market is described as belonging to the sellers who merely have to sit back and wait for offers to pour in. Some properties are priced in excess of replacement costs, with prices ranging from 75 to 120 percent of replacement cost. The average price is 96.6 percent of replacement cost, although little change is forecast over the next 12 months. Portfolio deals often bring premiums as purchasers attempt to increase market share.

Despite the rosy outlook, apartments are no longer the hottest property type due to the significant increases in prices over the past several years. Korpacz claims the apartment market overall is in equilibrium with supportable development occurring only in markets with positive in-migration. One of the most important factors in maintaining a stable market is job creation. Some investors fear that the creation of new jobs is slowing in many markets. The top areas of concern include Seattle, Portland, Chicago, Houston, New York, San Diego, San Francisco and San Jose.

Concern also exists that investment demand from REITs will trigger a less disciplined development environment. *Emerging Trends* cites overdevelopment as the primary issue for apartment investors. The Sunbelt states are viewed as particularly vulnerable to the risk of overbuilding. However, the apartment market in general is expected to provide total returns exceeding ten percent. Although reduced from prior years, ten percent is still considered a respectable return.

The recent interest rate environment has provided opportunities for renters to become homeowners in many markets. This impacts the upscale projects most directly, as rents may equal the monthly cost of homeownership. This is not as evident for middle income renters who may not have the financial means for the down payment needed to purchase a home. This is evidenced by the high rental demand in the county and the nationally growing apartment market. *Emerging Trends* notes that most new apartment construction is geared to the luxury apartment market with little attention given to the class B market. As a result, the middle market has not softened as much and remains a recommended investment.

The one overriding factor that favors apartments is demographics. By the year 2000 approximately 63 million people will be between the ages of 45 and 64. This segment of the population will be empty nesters or retired and potential renters as they move from large homes that no longer suit their needs. The prime demographic group for renters is people age 35 to 65 who live alone. This group is expected to expand five percent nationally by 2010. Within the subject area, almost 50 percent of the populationfalls between the ages of 35 to 65.

The Korpacz study states the average free and clear equity Internal Rate of Return (IRR) for the First Quarter 1999 at 11.48 percent. The average free andclear overall capitalization rate was 8.83 percent and indicated an increase of six basis points from the previous quarter. The residual capitalization rate increased two basis points to 9.22 percent.

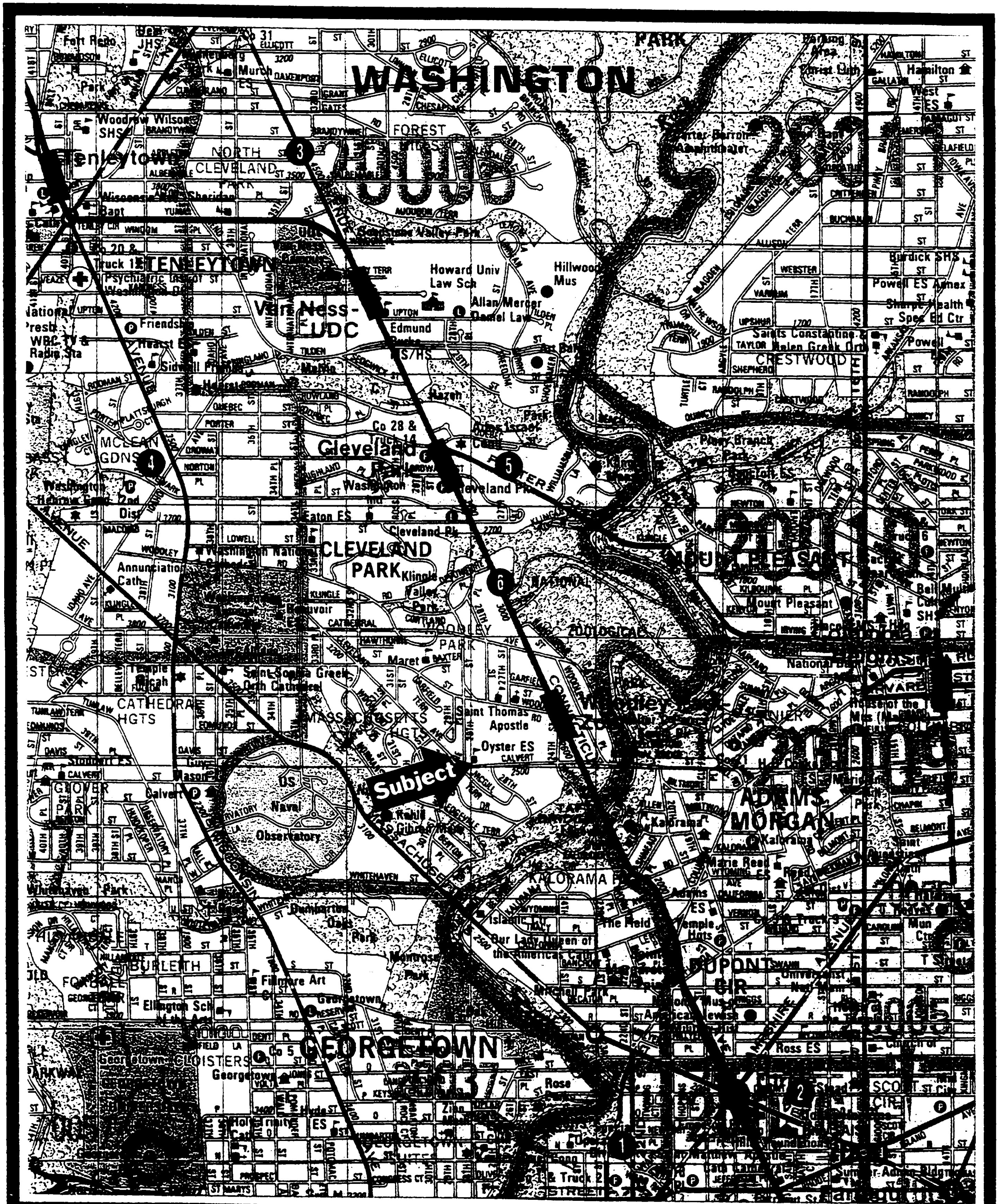
In our discussions with brokers active in the apartment market, and our review of recent sales, Class A projects have been trading at overall capitalization rates in the 7.0 to 9.0 percent range (after reserves). Depending upon the construction quality and amenities offered, coupled with the location, these capitalization rates typically translated into prices in excess of $70,000 per unit. Class A minus and B plus properties, generally constructed during the 1980s, have been selling on higher overall capitalization rates of 9.0 to 9.5 percent. This translated into sales prices of $50,000 to $70,000 per unit. Class B minus and C properties have been commanding capitalization rates in the 10.0 to 11.0+ percent range, with corresponding unit prices in the range of $40,000 and under.

Capital for new and existing projects stems from traditional sources--commercial banks--but with high equity requirements. These banks include NationsBank, Citicorp, First Maryland National Bank, and First Union as well as U.S. affiliates of foreign banks. For Class A apartments, mortgage rates are currently 120 to 140 basis points over U.S. Treasuries, depending on loan-to-value ratios, which presently range from 70 to 80 percent. The typicaldebt service coverage ratio is 1.25 percent after recognition of unit replacements. Other apartments, Class B or less, require spreads between 150 and 225 basis points over U.S. Treasuries, with similar debt service ratio. In general, loans are structured based on a seven- to ten-year maturity or right to call, and a30 year amortization period, except the pre-1980s complexes which have a 20 year amortization period.

In 1998 land prices for new projects ranged from a low of $9,755 per unit to a high of $23,316 per unit. As will be discussed later in this section, the majority of new construction is occurring in Northern Virginia locations. There were no land purchases in 1998 in the District of Columbia for the purpose of constructing new high rise apartment units, which is a function of its nearly built-out status. New construction that does occur tends to be on re-development sites.

Overview of Metropolitan Washington High Rise Apartment Market

For a broad view of the high rise apartment market in the metropolitan Washington area, we examined the Year End 1998 apartment survey published by Delta Associates. The survey includes the Northern Virginia submarkets of Arlington, Alexandria and Crystal City/Pentagon City, Washington, D.C., and the Bethesda submarket in neighboring Montgomery_County, Maryland.



Comparable Rentals

The average occupancy rates, asking and effective rents, and growth rates for the specific areas are outlined in the below. While the data is not specific to the subject's immediate micro market, it presents a relatively good overview of market conditions for Class A high rise apartment complexes.

Class A High Rise Apartments As of Year End 1998					
	Arlington	Alexandria	Washington, D.C.	Crystal City Pentagon City	Bethesda
Average Occupancy	98.4%	98.1%	97.7%	97.9%	98.3%
Asking Rent	$1,238	$1,033	$1,565	$1,278	$1,445
Effective Rent	$1,222	$1,018	$1,565	$1,277	$1,445
Concessions as a % of Asking rent	1.2%	1.5%	0.0%	0.1%	0.0%
Rent growth over the past 12 months	11.7%	5.1%	3.4%	3.4%	1.8%
Average Absorption (units per month)	46	22	14	N/A	44
Planned Units Expected to deliver in the next 36 months	1,430	0	568	643	1,562

The Washington, D.C. market is defined as Class A high rise units located in the Northwest quadrant of the city. Therefore, the data presented is considered the top of the market. The proposed subject property represents a new high-rise complex of Class A quality within the Northwest Washington submarket. Thus, the subject should fall above this category due to its newness.

As the survey indicates, the Washington, D.C. Class A market is one of the strongest in the region with the highest average effective rental rate. This is primarily due to the close-in location relative to the suburban submarkets and the higher expenses associated with the District. Metro-rail access also plays a role. Generally, most of the surveyed complexes are located within walking distance (one to five blocks on average) of Metro stations, which account for the higher rents.

Rental Rate Trends

The survey also indicates that rental rates in the submarket are increasing 3.4 percent annually on average. Most of the managers agree that rental rates have been increasing over the past two years and expect rent increases of 2 to 4 percent on average to occur over the next twelve months. Most property managers indicated that occupancy rates have not suffered as a result of these rate increases and concessions are the exception in the market, not the norm.

New and Proposed Construction

There are currently over 11,100 units planned or under construction in the Washington MSA. Approximately 64 percent of these units (7,065 units) are located in Northern Virginia. The remaining units are in Suburban Maryland, with the bulk planned for the Gaithersburg or Rockville areas of Montgomery County.

There are currently about 2,696 market rate units under construction, of which the largest project is the 546-unit known as The Grand in North Bethesda. The project is being developed by Forest City Residential. In the District of Columbia, Park Connecticut and The Lexington are the only projects currently under construction. Both high rise buildings are located in Northwest Washington and contain a total of 228 units with delivery projected for 1999.

Including the subject, there are three planned high rise projects containing 340 units which are likely to be delivered in the next 36 months. There are also five high rise projects containinga total of 1,160 units that are longer term or rumored. Each of these rumored or longer term projects will also be located in Northwest Washington.

Additional multi-family development occurring in the District consists of condominium projects located in Northwest. These projects include Park Hill Condominiums and The Lincoln Condominiums. Park Hill is located on the 2800 block of Connecticut Avenue and is currently under construction. Delivery of this 35-unit high rise complex is projected for November 1999. The Lincoln Condominiums are located on the 1200 block of "U" Street in Northwest Washington and is currently under construction with delivery projected for January 2000. Asking prices for units will range from $79,000 to $165,000.

Since the vast majority of Class A apartment construction is occurring in established upper income and emerging downtown locations, the District of Columbia market is expected to react with increasing rents as demand exceeds supply in those areas. Vacancy in projects at these locations is expected to remain well below five percent.

Absorption Analysis

The chart on the following page indicates that given the existing supply and occupancy rates of Class A apartment complexes and projected deliveries through the Year 2001, the Class A market of the District will be under-supplied by December 2001. While LCOR projects an absorption of 14 units per month for the subject property, Delta Associates reports absorption levels at new Class A projects are averaging 27 units, net, leased per month per project. Given the lack of available land for apartment development and population and job growth forecasts, it is our opinion the subject property would lease-up at a rate similar to current trends reported by Delta Associates at 25 units per month.

Projected Year End 2001 Vacancy Rates Washington Metropolitan Area Class A Apartment Market				
	Northern Virginia	Suburban Maryland	District	Total
Inventory Projection				
Inventory at 12/98	36,000	25,000	1,500	62,500
Pipeline Thru 12/01	9,138	5,610	568	15,316
Inventory at 12/01	45,138	30,610	2,068	77,816
Supply vs. Demand				
Available Units at 12/98	540	550	35	1,125
New Supply Thru 12/01	9,138	5,610	568	15,316
Available Units Thru 12/01	9,678	6,160	603	16,441
Underlying Demand Thru 12/01	8,550	4,350	900	13,800
Available Units at 12/01	1,128	1,810	-297	2,641
Vacancy				
Stabilized Vacancy at 12/98	1.5%	2.2%	2.3%	1.8%
Stabilized Vacancy at 12/01 (Projected)	2.5%	5.9%	0.0%	3.4%
Source: Year End 1998 Mid Atlantic Region Class A Rental Apartment Market by Delta Associates				

Micro Market Analysis

The proposed subject property will be a 211-unit high rise apartment building located in the Northwest section of Washington, D.C. in a neighborhood known as Woodley Park. In the discussions to follow, we focused on six high rise apartment complexes located in similar Northwest Washington locations. Excluding the subject, we reviewed 1,145 competitive units ranging in size from 501 to 647 square feet for efficiencies, 650 to 775 square feet for one bedroom units, 805 to 940 square feet for one bedroom units with den and 943 to 1,147 square feet for two bedroom units. The properties were constructed between 1931 to 1998. The table on the following page highlights these complexes with descriptions being presented in the following pages.

Most Competitive Apartment Complexes to Henry Adam House Apartments					
No.	Name	Year Built	Total Units	Current Occupancy	Asking Rental Rate
R-1	Westbrooke Place 2201 N Street	1995	190	99.5%	$1,191 - $3,800
R-2	Ambassador House 1750 P Street	1998	68	99.5%	$1,400 - $3,200
R-3	The Saratoga 4601 Connecticut Avenue	1989	189	99.0%	$985 - $1,905
R-4	Village at McLean Gardens 3401 38th Street	1985-88	214	99.9%	$1,220 – $2,150
R-5	2501 Porter Street 2501 Porter Street	1988	202	100%	$1,200 - $2,040
R-6	Kennedy-Warren 3133 Connecticut Avenue	1931/35	318	100%	$850 - $4,000
Subject	**Henry Adams House**	**Proposed**	**211**		

As the chart above indicates, occupancy rates in nearby competing projects are well above 95 percent. The occupancy rates are predominately 99 percent. This is higher than figures presented in the survey data for Washington, D.C. Asking rents range from a low of $850 for efficiencies to as much as $2,600 a two-bedroom unit. Rental rate increases have occurred over the past twelve months in all of the complexes. No complex included in our survey offered incentives that would reduce the effective rental rate.

Rent Comparable 1 | **Westbroke Place**

Location: 2201 N Street, N.W.
Washington, D.C.

Management: 202-466-6228

Physical Description:
- Year Built: 1995
- No. of Stories: 8
- Number of Units: 190
- Parking: 152 garage spaces

Appliance Package: Gas oven/range with hood, frost-free refrigerator, dishwasher, garbage disposal full size washer/dryer and microwave

Unit Amenities: Carpet, balconies/terrace, mini blinds, fireplaces in penthouse units and cable ready

Project Amenities: Indoor swimming pool with outdoor sundeck, community room, business center, exercise facility with lockers and storage space

Service Amenities: Valet, dry cleaning, maid service and 24-hour front desk/concierge

Security: Controlled access

Utilities Included in Rent: Water, cooking gas, electric air conditioning and appliances and trash service

Rental Information:

Unit Type	Unit Size Low	Unit Size High	Asking Rents Low	Asking Rents High	Rent Per SF Low	Rent Per SF High
Studio	501	501	$1,191	$1,191	$2.38	$2.38
1-BR/1-BA	715	715	$1,450	$1,450	$2.03	$2.03
1-BR/1-BA/DEN	890	890	$1,800	$1,800	$2.02	$2.02
1-BR/2-BA/DEN	1,046	1,046	$2,300	$2,300	$2.20	$2.20
2-BR/2-BA	997	997	$2,600	$2,600	$2.61	$2.61
2-BR/2-BA/DEN	1,277	1,277	$3,800	$3,800	$2.98	$2.98

Concessions: None

Rent Comparable 1 (continued)

Rent Premiums:	Parking	$167.50
	Balconies	Up to $50
	View	$25 - $120
	Storage Rental	$25 - $50
	Pets	$25 - $50
Occupancy (4/99):	**99.5 Percent**	

Rent Comparable 2	**Ambassador House**
Location:	1750 P Street, N.W. Washington, D.C.
Management:	202-518-1030
Physical Description:	
Year Built:	1998
No. of Stories:	9
Number of Units:	68
Parking:	100 below-grade garage spaces
Appliance Package:	Electric oven/range, frost-free refrigerator, dishwasher, garbage disposal and stacked washer/dryer
Unit Amenities:	Carpet, mini blinds, balconies/patios and cable ready.
Project Amenities:	Courtyard
Service Amenities:	24-hour desk/concierge, valet dry cleaning and out of town requests
Security:	Controlled access
Utilities Included in Rent:	Water, sewer and trash service

Rental Information:

Unit Type	Unit Size Low	Unit Size High	Asking Rents Low	Asking Rents High	Rent Per SF Low	Rent Per SF High
1-BR/1-BA	650	650	$1,400	$1,800	$2.15	$2.77
1-BR/1.5-BA/TH	750	750	$1,560	$1,560	$2.08	$2.08
1-BR/1-BA/DEN	912	912	$1,790	$2,300	$1.96	$2.52
1-BR/1.5-BA	912	912	$1,850	$2,300	$2.03	$2.52
2-BR/2-BA	1,000	1,000	$2,000	$2,400	$2.00	$2.40
2-BR/2-BA/DEN	1,250	1,250	$2,500	$3,600	$2.00	$2.88
2-BR/2.5-BA/TH	1,565	1,565	$3,200	$3,200	$2.04	$2.04

Concessions:	None	
Rent Premiums:	Parking	$155
Occupancy (4/99):	**99.5 Percent**	

Rent Comparable 3 **Saratoga House**

Location: 4601 Connecticut Avenue, N.W.
Washington, D.C.

Management: 202-244-9600

Physical Description:
Year Built: 1989
No. of Stories: 9
Number of Units: 189
Parking: 198 garage parking spaces

Appliance Package: Electric oven/range, frost-free refrigerator, dishwasher, microwave, garbage disposal and stacked washer/dryer

Unit Amenities: Carpet, mini blinds, cable ready, fireplaces and balconies/terraces

Project Amenities: Exercise room, community room, whirlpool/sauna and business center

Service Amenities: None

Security: Controlled access

Utilities Included in Rent: Water, sewer and trash

Rental Information:

Unit Type	Unit Size Low	Unit Size High	Asking Rents Low	Asking Rents High	Rent Per SF Low	Rent Per SF High
Studio	550	550	$985	$995	$1.79	$1.81
1-BR/1-BA	700	700	$1,200	$1,480	$1.71	$2.11
2-BR/2-BA	1,000	1,000	$1,650	$1,905	$1.65	$1.91

Concessions: None

Rent Premiums:

Parking	$125
Fireplace	$20
Views	$15 per floor

Occupancy (4/99): **99 percent (1 vacant unit)**

Rent Comparable 4	**Village at McLean Gardens**
Location:	3401 38th Street, N.W. Washington, D.C.
Management:	202-364-8114
Physical Description:	
Year Built:	1985-1988
No. of Levels:	9
Number of Units:	High Rise 214 units Townhomes 360 units Total 574 units
Parking:	220 below-grade garage spaces
Appliance Package:	Electric oven/range with hood, frost-free refrigerator, dishwasher, garbage disposal, microwave and stacked washer/dryer
Unit Amenities:	Carpet, mini blinds and balconies/patios
Project Amenities:	Swimming pool with sundeck, fitness room and storage space
Service Amenities:	Retail on first floor and 24-hour desk/concierge
Security:	Controlled access
Utilities Included in Rent:	Trash service

Rental Information:

Unit Type	Unit Size Low	Unit Size High	Asking Rents Low	Asking Rents High	Rent Per SF Low	Rent Per SF High
1-BR/1-BA	627	677	$1,220	$1,400	$1.95	$2.23
1-BR/1-BA	700	768	$1,320	$1,550	$1.89	$2.21
1-BR/1-BA/DEN	912	912	$1,620	$1,750	$1.78	$1.92
2-BR/2-BA	1,100	1,100	$1,885	$2,150	$1.71	$1.95

Rental rates for high rise portion of complex

Concessions: None

Rent Comparable 4 (continued)

Rent Premiums:	Parking	\$55 - \$100
	Floor	\$25 per floor above 3rd
Occupancy (4/99):	**99.9 percent (entire complex)**	

Rent Comparable 5 **2501 Porter Street**

Location: 2501 Porter Street, N.W.
Washington, D.C.

Management: 202-364-3000

Physical Description:
- Year Built: 1988
- No. of Stories: 10
- Number of Units: 202
- Parking: 220 below-grade garage spaces

Appliance Package: Electric oven/range with hood, frost-free refrigerator, dishwasher, microwave, garbage disposal and stacked washer/dryer

Unit Amenities: Carpet, mini blinds, balconies/patios and cable ready.

Project Amenities: Exercise room, party room, swimming pool and storage space

Service Amenities: 24-hour desk/concierge

Security: Controlled access

Utilities Included in Rent: Trash service

Rental Information:

Unit	Unit Size		Asking Rents		Rent Per SF	
Type	Low	High	Low	High	Low	High
Junior 1-BR/1-BA	574	574	$1,200	$1,300	$2.09	$2.26
1-BR/1-BA	694	694	$1,300	$1,450	$1.87	$2.09
1-BR/1-BA/DEN	805	805	$1,525	$1,625	$1.89	$2.02
1-BR/1-BA/DEN	892	892	$1,625	$1,725	$1.82	$1.93
1-BR/2-BA/DEN	871	871	$1,575	$1,575	$1.81	$1.81
1-BR/2-BA/DEN	892	892	$1,620	$1,620	$1.82	$1.82
2-BR/2-BA	1,026	1,026	$1,850	$1,975	$1.80	$1.92
2-BR/2-BA	1,044	1,044	$1,850	$1,975	$1.77	$1.89
2-BR/2-BA/DEN	1,238	1,238	$2,040	$2,040	$1.65	$1.65

Concessions: None

Rent Comparable 5 (continued)

Rent Premiums:	Parking	$95
	Floor/Views	$35 - $50
Occupancy (4/99):	**100 Percent**	

Rent Comparable 6	**Kennedy-Warren**
Location:	3133 Connecticut Avenue, N.W. Washington, D.C.
Management:	202-234-9100
Physical Description:	
Year Built:	1931/1935
No. of Stories:	11
Number of Units:	318
Parking:	300 garage parking spaces
Appliance Package:	Electric oven/range, refrigerator, dishwasher and garbage disposal
Unit Amenities:	Hardwood floors and some fireplaces
Project Amenities:	Exercise room, lounge, library and sundeck
Service Amenities:	Valet service and ground floor retail
Security:	Controlled access
Utilities Included in Rent:	Gas heating, electric appliances, water, sewer and trash service

Rental Information:

Unit Type	Unit Size Low	Unit Size High	Asking Rents Low	Asking Rents High	Rent Per SF Low	Rent Per SF High
Efficiency	525	525	$850	$900	$1.62	$1.71
1-BR/1-BA	775	775	$1,350	$1,425	$1.74	$1.84
1-BR/1-BA/DEN	940	940	$1,575	$1,650	$1.68	$1.76
2-BR/2-BA	1,470	1,470	$2,250	$2,350	$1.53	$1.60
3-BR/2-BA	1,600	1,600	$2,250	$2,350	$1.41	$1.47
Penthouse	2,020	2,020	$3,500	$4,000	$1.73	$1.98

Concessions:	None	
Rent Premiums:	Parking	$95
	Floor/Views	$50 - $100
Occupancy (4/99):	**100 Percent**	

Conclusion

The proposed property will be located in a desirable area of the District with high incomes and a large population of renters between the ages of 35 and 65. The Class A high rise apartment market in the District is currently experiencing above average occupancy rates and increasing rental rates indicating a strong demand in the market for luxury apartments. In the long run. demand will outweigh supply as population and job growth continues and available land for apartment development becomes even scarcer. Given all these factors, it is our opinion that the proposed improvements represent a viable project.

Site Description

Location:	Northeast corner of 29th & Calvert Streets, N.W.
Shape:	Rectangular
Proposed Land Area:	Oyster School Building 38,289 SF Henry Adams House Apartments 34,558 SF Total 72,847 SF
Frontage/Terrain:	Site contains frontage on 29th Street and Calvert Street, N.W. The terrain is above grade and gradually slopes upward to the west.
Street Improvements:	Calvert Street is a four-lane road and 29th Street is a four-lane road with two lanes used for parking. Both roadways are improved with concrete curb and gutter, street lights, sidewalks and fire hydrants.
Soil Conditions:	We did not receive nor review a soil report. However, we assume that the soil's load-bearing capacity is sufficient to support the existing structures. We did not observe any evidence to the contrary during our physical inspection of the property. The tract's drainage appears to be adequate.
Utilities:	All standard utilities are available to the site including natural gas, electricity, telephone and water/sewer
Proposed Access:	Drop off on 29th Street for Oyster School and curb cut on Calvert Street.
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
Flood Hazard:	According to Community Panel No. 110001 0020 B of the National Flood Insurance Rate Map dated November 15, 1995, the subject property is in Flood Hazard Zone C, which is outside the 500-year flood plain and, therefore, does not require flood hazard insurance.
Wetlands:	We were not given a Wetlands survey. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a competent engineering firm.

Seismic Hazard	The site is not located in a Special Study Zone.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the services of a professional engineer for this purpose.

Improvements Description of Proposed Henry Adams House Apartments

The following physical description of improvements was developed from our review of the preliminary plans and specifications prepared by Torti, Gallas and Partners, CHK, Inc., dated March 15, 1999, and information provided by the client.

General Description

Year Built:	Projected delivery April 2001
Gross Building Area (Apartments and Garage)	306,754 square feet
Number of Stories:	11
Average Unit Size:	839 square feet
Density:	240 units per acre

Unit Size and Mix:

Henry Adams House				
Unit No.	Unit Type	Number of Units	Rentable Area (SF)	Gross Rentable Area (SF)
E	Efficiency	21	577	12,117
1-A	1-BR/1-BA	42	765	32,130
1-A-2	1-BR/1-BA	8	765	6,120
1-B	1-BR/1-BA	30	772	23,160
1-C	1-BR/1-BA	20	716	14,320
1-E	1-BR/1-BA	21	761	15,981
1-F	1-BR/1-BA	1	900	900
1-G	1-BR/1-BA	1	819	819
I -H	1-BR/1-BA	2	693	1,386
1+D/A	1-BR/1-BA/DEN	11	993	10,923
1+D/B	1-BR/1-BA/DEN	11	950	10,450
1+D/C	1-BR/2-BA/DEN	1	1,076	1,076
2-A	2-BR/2-BA	9	1,197	10,773
2-B	2-BR/2-BA	11	1,190	13,090
2-C	2-BR/2-BA	10	1,058	10,580
2-D	2-BR/2-BA	11	1,109	12,199
2-E	2-BR/2-BA	1	1,096	1,096
Totals/Average		211	839	177,120

Construction Detail

Foundation:	Reinforced concrete slab
Framing:	Structural steel and post-tension concrete
Exterior Walls:	Brick and stone

Roof Structure/Cover:	Flat with gravel, filter fabric, R-30 rigid insulation and hot applied membrane
Windows:	Aluminum
Exterior Doors:	Steel and aluminum storefront
Lighting:	High density, pole mounting lighting fixtures
Mechanical Detail	
Heating and Cooling:	Individual aguatherm units
Plumbing:	Assumed to meet code
Electrical	Assumed to meet code
Fire Protection:	Sprinklers and fire alarm system
Elevators:	4 passenger elevators
Common Area Stairwell:	Concrete with metal railings
Interior Detail	
Floor Covering:	Carpet and ceramic tile in units and marble and stone in lobby area
Windows:	Double hung and fixed pane aluminum
Doors:	Wood and sliding glass doors
Walls :	Painted gypsum board
Ceilings:	Sprayed acoustical ceiling
Lighting:	Fluorescent and incandescent fixtures
Unit Appliances:	Gas range/oven with hood, electric washing machine and gas dryer, microwave, garbage disposal and dishwasher
Bathrooms:	Standard plumbing fixtures including tub/shower, toilet and vanity
Project Amenities:	Party/meeting room, exercise facility, library, business center and three-story below grade parking garage for 214 vehicles
Unit Amenities:	Balconies/patios and security system

Site Improvements

On-Site Parking:	Three-story below-grade garage parking for 214 vehicles
Landscaping:	Fenced courtyard with trees, shrubs, grass and other types of foliage
Condition:	Excellent Upon Completion
Americans With Disabilities Act:	The Americans With Disabilities Act (ADA) became effective January 26, 1992. We have not made, nor are we qualified by training to make, a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey and a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have not been provided with the results of a survey, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

The 1998 fiscal year (October 1 to September 30) is the most recent year for which assessed valuation and property tax information is available. The subject property is identified for real estate assessment and taxation purposes by the District of Columbia as Square 182 Lot 828. Properties have historically been reassessed annually in the District. However, there was a two year moratorium (1997/1998) on changes to the assessments as the Assessor's office moves to a triennial system similar to that employed in Maryland. The 1998/1999 assessment notices will be mailed in late February or early March of 1999.

Tax Rates

The property is classified for assessment purposes as a non-owner occupied residential property. Tax rates for this classification are $1.54 per $100 of assessed value. From a broad historical perspective, tax rates have risen as government expenditures have increased, followed by a drop in rates upon reassessment (at typically higher values).

It is difficult, at best, to judge the likelihood of future tax rate and/or assessment increases when viewing only a few years' history. Over the longer term, tax rates tend to increase or decrease based on government spending or as various government obligations are relieved. Over the short term, we believe there is impetus for increasing tax rates, that being declining real estate values over the last few years, coupled with general inflation and continuing government spending. With the overall tax base lower, the tax rates will have to increase above average just to cover the shortfall, or budgets will have to be cut. The tax rate has been level for several years. Nevertheless, the local government continues to have extreme difficulty in maintaining a balanced budget. Consequently, we anticipate periodic tax rate increases.

Assessment

The subject property currently consists of a 1.67 acre parcel of land improved with the Oyster School building, which is owned by the District of Columbia. Because the subject property is owned by the District of Columbia Government, it is exempt from real property taxes. The subject property's 1998 assessment is $4,018,000. Based on this assessed value, the total 1999 tax burden of the subject property would be $61,877.

The proposed improvements will essentially maintain a tax-exempt status through the PILOT program for 35 years. Under the terms of the PILOT Program, the District Government will transfer the 38,289 square feet of land located on the eastern portion of the site to LCOR for a total consideration of $0 and abate any related taxes on the proposed apartment complex for 35 years. In lieu of paying real estate taxes, LCOR will make interest payments on $11 million of tax exempt bonds issued by the District of Columbia to finance the construction of a new Oyster school building. The total life of the bonds is 35 years and the projected payments in lieu of taxes are $725,000, or $3,420 per unit, annually.

Although the proposed subject property will essentially maintain its tax-exempt status through the PILOT program, we have reviewed the assessment data of three high rise complexes, two of which were used as rent comparables. Presented in the table on the following page is the 1998 assessment data for 2501 Porter Street Apartments, Kennedy Warren Apartments and McLean Gardens. Tax assessments for the comparables ranged from $50,475 per unit to $83,933 per unit.

1998 Assessed Value of Tax Comparables			
Project Name	**2501 Porter Street**	**Kennedy-Warren**	**McLean Gardens**
Year Built	1988	1931/1935	1985-1988
# of Units	202	318	574
Rating vs. Subject	Inferior Quality Similar Amenities	Inferior Quality Inferior Amenities	Inferior Quality Similar Amenities
1998 Assessment	$3,391,420	$6,984,002	$48,177,976
1998 Tax Rate	x $1.54/100	x $1.54/100	x $1.54/100
1998 Tax Liability	$237,222	$247,185	$741,941
1998 Tax Liability Per Unit	$1,174	$777	$1,292
1998 Assessment Per Unit	$76,257	$50,475	$83,933

The assessed values of the comparables are substantially below our estimate of market value for the subject on a per unit basis. While each of the comparables is similar in location, the proposed subject improvements are considered vastly superior as it represents new construction. In addition, with the rapidly increasing rental rates and selling prices in the District, it is very likely that the Assessor's Office will be seeking increases in assessments for the subject. Their normal calculation methodology is to estimate the fee simple net operating income, excluding real estate taxes. and capitalize the income at a market derived overall rate that is grossed up for the tax rate. The assessor, in essence, performs a direct capitalization analysis, which should yield a value estimate consistent with the findings in this report.

Ad Valorem Tax Conclusions

If the subject were assessed at a value near our estimated market value of $37,000,000, the total liability would be $569,800, or $2,700 per unit. However, the subject property will not be liable for real estate taxes due to its participation in the PILOT program. Instead, the owner of the property will be liable for PILOT payments of $725,000. or $3,420 per unit, for a period of 35 years. The PILOT payments will be fixed at this dollar amount for a period of 35 years. As such, we have forecasted no increase for this expense item in our cash flow analysis found in the *Income Capitalization Approach* section of this report.

According to the District of Columbia, the subject property is zoned R-5-C, Residential District. This classification is designed to permit a flexibility of design by permitting, in a single district, all types of urban residential development if they conform to the height, density and area requirements established for the district. The R-5 districts also permit the construction institutional and semi-public buildings compatible with adjoining residential uses and which are excluded from the more restrictive Residence districts.

Permitted uses include any permitted use in the R-4 district, greenhouse or horticultural nursery, multiple dwellings, residence for teachers or staff of private schools. Also permitted are the uses allowed in the R-3 District. These include, but are not limited to, row dwellings, child development centers, hospitals or medical clinics, private clubs, museums, and the uses allowed in the R-2 District (primarily row dwellings and semi-detached single family dwellings.

The development requirements that apply to the district are as follows.

• Maximum FAR:	3.5
• Building Height:	90 feet or three stories
• Maximum Building Coverage	
Church or Public School:	60%
All other structures:	75%
• Minimum Lot Area:	As prescribed by the Board
• Minimum Width:	As prescribed by the Board
• Side Yard Setback:	3" per foot of height of building, but not less than 8 feet
• Rear Yard Setback:	20 feet
• Courts Setback:	4" per foot of height of building, but not less than 15 feet
• Off-Street Parking:	1 space for each dwelling unit when a multiple dwelling is built; 1 space per dwelling for one-family dwellings and 1 space for each 2 flats

Based on the above information and our understanding of the zoning requirements, the proposed improvements appear to comply with the constraints imposed by the classification. The determination of compliance, however, is beyond the scope of this appraisal.

We are not aware of any restrictive covenants or deed restrictions (private or public) which would further limit the use of the subject property. However, this statement should not be taken as a guarantee or warranty that no such restrictions exist. Deed restrictions are a legal matter and only a title examination by an attorney or title company would normally uncover such restrictive covenants. Thus, an updated title search of the subject property is recommended to determine if any such restrictions do exist.

Highest and Best Use of Site As Though Vacant

According to the *Dictionary of Real Estate Appraisal, Third Edition (1993)*, a publication of the *Appraisal Institute*, the highest and best use of the site as though vacant is defined as:

> Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

We evaluated the site's highest and best use as if vacant and as currently improved. In both cases, the highest and best use must meet the aforementioned criteria. The use must be 1) physically possible; 2) legally permissible; 3) financially feasible; and 4) maximally productive.

The first test is what is physically possible. As discussed in the *Property Description* section of this report, the site's size and soil conditions do not significantly limit its use. Given the site size of 38,289 square feet, high rise office or apartment development would maximize the use of the site. The physical characteristics of the site would accommodate most permitted uses. The proposed subject's density level (as proposed) is 278 units per acre. The essential public utilities are available and should not impede the timing of the site's development.

The second test concerns permitted uses. The site is zoned R-5-C, which is intended to provide for a relatively dense residential district. Basically, the legally permissible uses that the subject may be developed with are limited to various residential uses, as well as neighborhood support facilities, such as a day care center, park or church. Industrial uses are not permitted under this zoning designation. Additionally, we are not aware of any deed restrictions that would preclude specific types of development. Various easements encumber the site but have been dedicated for the normal development of the existing improvements.

The third and fourth tests are, respectively, what is feasible and what will produce the highest net return to the land. These items will be address in tandem. Of primary significance to financially feasible uses of the property is its specific location, which influences the possible alternative uses for future development. The subject tract has frontage along Calvert Street, a four-lane roadway in the District of Columbia. This roadway provides good access and visibility, which tends to suggest the site's potential for some type of residential development including multi-family or single family uses.

As discussed in the preceding *Apartment Market Analysis* section of this report, there has been substantial improvement in the multi-family residential market over the last five years throughout the metropolitan area and nationally. Presently, the subject's market area is performing well with increasing average rental rates and occupancy rates generally in the 99 to 100 percent range.

Therefore, it is our opinion that the highest and best use of the subject, as if vacant, is for multi-family residential development, likely consisting of a high rise apartment complex.

Highest and Best Use of Site As Improved

According to the *Dictionary of Real Estate Appraisal, Third Edition (1993)*, a publication of the *Appraisal Institute*, the highest and best use of the site as though vacant is defined as:

> Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

The data within the *Apartment Market Analysis* revealed that the apartment market has improved and the proposed subject property would be competitive with other nearby apartment complexes. This conclusion is supported by the data and analysis presented in the balance of this report. The existing school building on the site is beyond its useful life and is no longer considered functional. As such, the existing improvements do not represent the highest and best use of the site.

It is our opinion that the proposed improvements are capable of providing a satisfactory return to the land over both the near and long term. For these reasons, it is our opinion that the highest and best use of the site, as improved, is for development with a high rise apartment complex.

Appraisers typically use three approaches in valuing real property. The cost approach, the income capitalization approach and the sales comparison approach. The type and age of the property and the quantity and quality of data affect the applicability in a specific appraisal situation. Our estimate of the market value of the property will be estimated through application of the three approaches to value.

In the Cost Approach, we performed the following steps:

- Estimate the value of the subject site via the sales comparison approach.
- Estimated replacement cost new (including developer's administrative overhead and profit).
- From the estimated replacement cost new, deduct all forms of depreciation applicable to the improvements to derive an indication of the depreciated cost. Thereafter, we add the value of the site to depreciated cost estimate to derive an estimate of value via the cost approach.

In the Sales Comparison Approach, we:

- Searched the market for recent sales.
- Analyzed those sales on the basis of the sales price per square foot, the sales price per unit and the Effective Gross Income Multiplier (EGIM).
- Correlated the various value indications into a point value estimate from within the range.

In developing the Income Capitalization Approach we:

- Studied rents in effect in competing complexes to estimate potential rental income at market levels.
- Estimated income from sources other than apartment rentals.
- Studied the recent history of operating expenses at competing properties to estimate an appropriate level of stabilized expenses and reserves for replacement.
- Estimated net operating income by subtracting stabilized expenses from potential gross income.
- Capitalized stabilized net operating income into an indication of capital value.
- Prepared a discounted cash flow analysis in which the estimated income and expenses over a ten-year forecast, and the estimated property value at the time of reversion, are discounted at an appropriate rate to estimate present market value.

In estimating the final value, we performed the following:

- Reviewed and re-examined each of the approaches to value that was employed.
- Considered the type and reliability of the data used and applicability of each approach.
- Reconciled the approaches to a final value conclusion.

Methodology

The cost approach produces an indication of value through a physical analysis of the subject property in which the total depreciated replacement cost of all improvements is added to a value estimate for the underlying land. The economic principle of substitution, the basic rationale underlying this approach, holds that no prudent person will pay more for a property than the price of a site and the cost of constructing, without undue delay, improvements with equal physical and functional utility. Essentially, the cost approach reflects market thinking by recognizing that market participants, in many instances, relate value to cost.

In the cost approach, we employed the following steps to reach an estimate of market value for the subject:

1. estimated land value as vacant;
2. estimated the improvements' replacement cost new, including indirect costs;
3. estimated the necessary developer's overhead and profit for the type of property being appraised;
4. added land value, replacement cost new, and profit to calculate the total cost new of the property;
5. estimated accrued depreciation from physical, functional, and/or external causes; and
6. deducted accrued depreciation from the total cost new of the property to estimate its current value via the cost approach.

Land Valuation

Depending upon the specific appraisal assignment and/or the value being sought, any one of several methods can be used to value land that is vacant or considered to be unimproved. These methods include the sales comparison approach, land residual approach, subdivision development method, allocation and extraction methods, and ground rent capitalization method. Under the right circumstances, any of these methods may be useful in estimating land value; however, the subject's highest and best use, data available, market conditions and market practice all attribute to determining the best approach to use.

We researched recent multi-family land transfers that occurred within the past three years. As discussed in the Apartment Market Analysis section of this report, there is a limited amount of land available in the District for apartment development due to its nearly built-out status. The most recent land sales occurring in the District consist of sites purchased for the developments of condominiums.

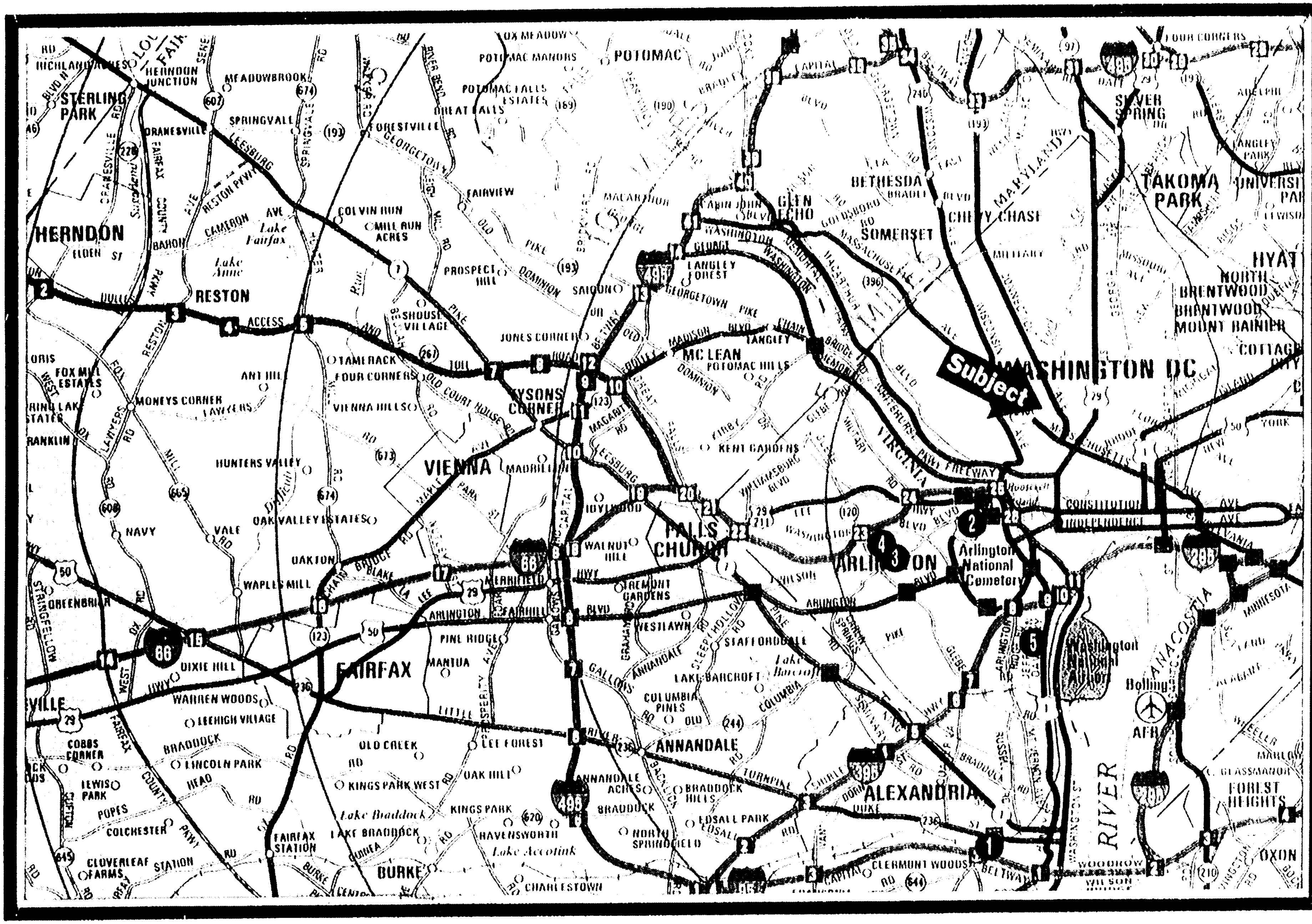
The condominium projects we identified include Park Hill on the 2800 block of Connecticut Avenue and Lincoln Condominiums on the 1200 block of U Street. The purchase price of the site for the Park Hill Condominiums was $1,200,000, or $34,286 per unit. This transfer occurred in October 1996. The purchase price of the site for the Lincoln Condominiums was $825,000, or $5,288 per unit. This sale occurred in October 1998. This property was transferred from the District of Columbia Government, thus it may not represent an arms length transaction.

The only sale we identified for the development of a high rise apartment complex in the District occurred in May 1989. The site was purchased for the development of Westbroke Apartments on the 2200 block of N Street in Northwest Washington. Westbroke was completed in 1995 and contains a total of 190 units. The purchase price of the site was $10,821,529, or $56,955 per unit, an amount we believe is not representative of the market today.

Due to the lack of recent transfers of land for the development of high rise apartment projects in the District, we utilized recent land sales that occurred in Alexandria and Arlington (both in Virginia) for our analysis. Although both locations are more suburban in nature, we believe these recent transfers provide a meaningful basis for our analysis. These land sales are summarized in the Comparable Land Sale Summary on the following page. A location map follows the table and detailed descriptions of each transaction are included in the *Addenda*.

Comparable Multi-Family Land Sales Summary

Sale No.	Location	Sale Date	Price	Number Of Units	Sale Price Per Unit	Zoning
L-1	233 Telegraph Road Alexandria, VA	1/97	$10,013,720	458	$21,864	CDD3
L-2	1320 N. Veitch Street Arlington, VA	2/97	$7,000,000	564	$12,411	RAH 3.2
I-3	3821 N. Wilson Boulevard Arlington, VA	8/97	$2,600,000	150	$17,333	RC
L-4	Fairfax Drive & Monroe Street Arlington, VA	9/96	$3,100,000	232	$13,362	RAH 3.2
L-5	South Eads Street Arlington, VA	U/C	$5,500,000	309	$17,799	RAH 3.2
	Data Range:		**Low:**	**150**	**$12,411**	
			High:	**564**	**$21,864**	
			Mean:	**343**	**$16,554**	



Land Sales Map

Analysis of Sales and Estimate of Site Value

We have determined that the most appropriate unit of comparison, as dictated by the market is the price paid per apartment unit. For comparative purposes, varying adjustments are made to the comparables' sale prices for elements such as property rights, financing, conditions of sale, market conditions (time), and locational and physical characteristics. Percentage adjustments are used to compare the recorded sales to the site being appraised. We were unable to support the magnitude of these adjustments by paired sales analysis, so a degree of subjective judgment is involved. Nevertheless, the adjustments reflect our thought processes in comparing one site with another.

Property Rights Conveyed

The subject site is valued in fee simple estate, as if vacant, and ready for development. All of the comparables were sold in fee, which is consistent with the property rights being appraised for the land. Therefore, no adjustments are necessary.

Financing/Cash Equivalency

The consideration for all the transactions were reported to be cash to the seller. As such, no adjustments are warranted for cash equivalency.

Conditions of Sale

To accurately estimate market value, each of the land sales used must represent arm's-length transactions with no undue pressure on either the buyer or the seller. Each of the comparables employed was founded to be free of any conditions, which would affect the price, and each transaction is considered arm's length in nature. Thus, no adjustments are required.

Market Conditions

The comparable sales occurred between September 1996 and December 1998. All but one of the land sales transpired within the past two years and as such, we believe that no adjustment for market conditions is required. Sale L-4 occurred in September 1996 and we believe the market has improved considerably since that time. Therefore, this sale was adjusted upwards for market conditions.

Location

All of the land sales are situated in Suburban Virginia, which has seen substantial high rise apartment activity. Specifically, the sales are situated in the Arlington and Alexandria sub-markets, approximately six miles south of the subject. With the exception of L-1, each of these sites is situated in an urban-like setting. Residents in each of these locales benefit from easy access to well-kept roadways that provide a link to the various jurisdictions of the metropolitan area as well as Metrorail. In addition, a selection of major retail services including big box stores and a regional mall are also in close proximity. Within the District, access to major roadways is not as convenient and larger scale retail establishments are few and far between. For these reasons, a slight downward adjustment was applied to Sales L-2 thru L-4. No adjustment was applied to L-1 due its location in a more suburban-like setting which we believe to be inferior to Sales L-2 thru L-4.

Size/Density

On a per unit basis, the size of the site is not as great a concern as is its allowable development. In this case, any adjustment applicable to size would be attributable to the increased development potential and will be considered in the density category. No specific size adjustment is made.

On a price per apartment unit basis, density (the ratio of permitted apartment units to land area) is an issue. This category does not have as great an affect on purchase price per unit as it would upon purchase price per acre of land area given that the issue of density is partially considered in the chosen unit of comparison. Despite this, it is reasonable that the greater the site's developability, the greater its value. As all the comparable transactions were analyzed on a per unit basis, no adjustment to the land sales is deemed necessary.

Site Utility (Physical Attributes)

The analysis of site utility considers such physical characteristics as shape, depth, frontage, pottage. corner influence, access, topography, zoning, the availability of utility services, and encumbrances, i.e. the overall usability of the land. The shape of a property has the potential to restrict the overall utility. The lack or presence of easements and/or restrictions must also be considered in the comparison process.

Based on an examination of the land sales regarding these factors as they relate to the subject, we are of the opinion that the sales are comparable with regard to utility. Therefore, no adjustments are made for this category.

Land Value Conclusion

The following chart summarizes the aforementioned adjustments.

Sale No.	Cash Equivalent Sales Price Per Unit	Percentage Adjustments			Adjusted Price Per Unit	Percentage Adjustments				Indicated Value Per Unit
		Property Rights	Conditions of Sale	Market Conditions		Location	Size Density	Utility	Net Adjustment	
L-1	$21,864	Similar 0%	Similar 0%	Similar 0%	$21,864	Similar 0%	Similar 0%	Similar 0%	0%	$21,864
L-2	$12,411	Similar 0%	Similar 0%	Similar 0%	$12,411	Slightly Superior -5%	Similar 0%	Similar 0%	-5%	$11,790
L-3	$17,333	Similar 0%	Similar 0%	Similar 0%	$17,333	Superior -10%	Similar 0%	Similar 0%	-10%	$15,600
L-4	$13,362	Similar 0%	Similar 0%	Inferior +15%	$15,366	Superior -5%	Similar 0%	Similar 0%	-5%	$14,598
L-5	$16,060	Similar 0%	Similar 0%	Similar 0%	$16,050	Superior +5%	Similar 0%	Similar 0%	+5%	$16,852

The comparable land sales indicate a range in unadjusted unit prices from $12,411 to $21,864 per unit, and a range in adjusted unit prices of $11,790 to $21,864 per unit. The most weight was placed on Sale L-5 due to the recent nature of the transaction. Overall, there were few adjustments due to the similarity of the sales, which are all located within Suburban Virginia. After considering tangible differences noted herein and intangible influents such as the subjects proximity to the CBD of Washington D.C., we estimate that a per unit land value of $18,000 is warranted.

Land Value Calculation			
211 Units	X	$18,000 per Unit	= $3,798,000
***As Is* Land Value: $3,800,000, Rounded**			

In an effort to evaluate the reasonableness our concluded land value, we reviewed the assessed value of the land for three high rise projects in the District. Presented in the table below is the 1998 assessment data for 2501 Porter Street Apartments, Kennedy Warren Apartments and The Latrobe, all of which are located within the vicinity of the subject. Tax assessments for the comparables ranged from $7,463 to $21,962 per unit with 2501 Porter Street and Kennedy Warren being the most similar in location. While we recognize that tax assessments do not always accurately reflect market value, they do provide some comparable data to judge our conclusions. Based on this information, we believe our concluded land value estimate is reasonable.

1998 Assessed Value of Land

Project Name	2501 Porter Street	Kennedy-Warren	The Latrobe
Year Built	1988	1931/1935	1980
# of Units	202	318	176
Rating vs. Subject	Inferior Quality Similar Amenities	Inferior Quality Inferior Amenities	Inferior Quality Similar Amenities
1998 Assessment – Land	$3,391,420	$6,984,002	$1,308,846
1998 Assessment Per Unit	$16,798	$21,962	$7,463

Cost of Improvements

We estimated replacement cost new by using the Calculator Section in *Marshall Valuation Service*, a nationally recognized publication containing construction costs for all types of improvements. Base costs in the manual are revised monthly and adjustment factors are provided to reflect regional and local cost variations. Our estimate of Gross Building Area was taken from the assessment records, as no plans were made available to us.

Base Costs

The published costs include all direct costs for the base structure and tenant improvements, and the following indirect costs:

1. plans, specifications, and building permits, including engineer's and architect's fees;
2. normal fees and interest on construction funds during the construction period;
3. sales taxes on materials; and
4. contractor's overhead and profit, including worker's compensation, fire and liability insurance, unemployment insurance, etc.

We used base costs for an excellent quality high-rise residence as published in the cost manual in Section 11, page 14. For site improvements, we use cost figures published in the cost manual in Section 66.

Indirect Costs

Indirect costs of construction of contained in the base costs are explained and quantified as follows:

1. Entrepreneurial (developer's) profit typically ranges from 10 to 20 percent of total project costs. In most cases where profit falls below 10 percent, the project is shown to be economically infeasible. Projects involving properties in areas of high demand relative to supply may allow higher profits to the developer while the inverse is also true. With all things considered, we have chosen a factor for entrepreneurial profit of 15 percent of total direct costs.
2. Loan fees and closing costs calculated at 2 percent of direct costs excluding site value.
3. Construction loan interest is calculated at 0.708 percent per month (8.5 percent annually) for 18 months on 60 percent of the direct costs plus site value.

Replacement Cost New

The computation of the subject improvement's replacement cost new is shown on the following page. Our replacement cost new estimate is $33,000,000 (rounded) or $153.72 per square foot of total gross building area, including entrepreneurial profit but excluding land value. Our replacement cost new estimate, excluding entrepreneurial profit and land, closely approximates the estimate of $28 million provided by Tim Smith of LCOR.

Henry Adams House Apartments

Washington DC

Estimated Replacement Cost New

Class B, Excellent Quality Apartments	GBA (SF)/ No. Units	Unit Cost	Total
Apartment Base Cost (Section 11, Page 14)	214,713	$107.08	$22,991,468
Balconies	5,249	$15.25	$80,047
Garage	89,284	$32.74	$2,923,158
Built-ins	212	$3,025	641,300
Add Sprinklers (Section 11, Page 26)	303,997	$1.30	$395,196
Replacement Cost New		$87.41	$27,031,170
Current Cost Multiplier			1.01
Local Cost Multiplier			1.03
Replacement Cost New--Building			$28,120,526
Site Improvements			
Paving - (Section 66)	0	$700	$0
Landscaping - Lump Sum			$75,000
Pool and clubhouse - Lump Sum			$0
Lighting - Lump Sum			$50,000
Base Site Improvements New			$125,000
Current Cost Multiplier			1.01
Local Cost Multiplier			1.03
Total Site Improvements		$0.61	$130,038
Total Replacement Cost		$131.57	$28,250,563
Indirect Construction Costs			
Developer's Profit (See Note 1)	$4,218,079	$13.64	
Loan Fees and Closing Costs (See Note 2)	$487,030	$1.57	
Leasing Commissions (See Note 3)	$50,000	$0.16	
Total Indirect Costs		$22.15	$4,755,108
Replacement Cost New		$153.72	$33,005,672
Rounded			***$33,000,000***

Notes:
Note 1: Developer's Profit calculated at 15 percent of direct costs.
Note 2: Loan fees and closing costs calculated at 2 percent of direct costs and indirect costs assuming a 75 percent loan to value ratio
Note 3: Leasing commission calculated at $50,000

Estimate of Accrued Depreciation

Accrued depreciation is the difference between the cost new of improvements and the present worth of those improvements measured as of the day of the appraisal. Depreciation includes loss in value from three basic categories: physical deterioration, functional obsolescence and external obsolescence.

Physical deterioration is the result of aging and normal wear and tear on a structure, which reduce its value. Impairments may be curable or incurable.

Functional obsolescence is the adverse affect on value resulting from design defects that impair the structure's usefulness. It can be caused by changes over the years that have made some aspect of the structure, material, or design obsolete by current standards.

External obsolescence is the adverse affect on value resulting from influences outside the property itself. These include changing property or land-use patterns and adverse economic climates.

The steps involved in the estimate of accrued depreciation are as follows:

- Estimate curable physical deterioration (also called deferred maintenance).
- Estimate curable functional obsolescence (to be curable, cost to correct must be equal to or less than increase in value).
- Estimate incurable functional obsolescence (measured as capitalized net income loss).
- Estimate physical incurable depreciation based on modified economic age-life concept taking into consideration effective age and remaining economic life (after correction of both deferred maintenance and functional curable obsolescence, if applicable) but disregarding temporarily depressed market conditions.
- Estimate external obsolescence caused by conditions outside the property itself. (As mentioned earlier we did not estimate the impact from regional economic and national factors, which make conventional financing of apartment development infeasible at this time.)

The improvements are proposed. We have estimated the subject's economic life to be 55 years. Given the excellent condition of the improvements upon completion, no depreciation was indicated.

Curable Physical Deterioration

As noted in the *Property Description* section of this report, the subject property's physical structures are proposed. Therefore, no curable physical deterioration is applicable to the property.

Curable and Incurable Functional Obsolescence

Based on the information available, the improvements will represent a modern design and good unit layout and are considered to not exhibit any form of curable or incurable functional obsolescence.

Physical Incurable Depreciation

Based on current market information in relation to properties of this type, as well as information obtained from the Marshall Valuation Service the typical economic life expectancy of improvements similar to the subject is 55 years.

The subject will have an effective age of zero years upon completion, indicating no depreciation.

External Obsolescence

External obsolescence is the adverse affect on value resulting form influences outside the property itself. These include changing property or land-use patterns and adverse economic climates. We do not believe any external obsolescence is evident. The subject is located in a desirable commercial/retail and residential location. As we did not observe any negative influences external to the property, no deduction for this form of depreciation was warranted.

Cost Approach Conclusion

A summary of the cost approach excluding the added value of the PILOT program is as follows:

Cost Approach Summary	
Component of Analysis	**Values**
Total Replacement Cost New	$33,000,000
Less:	
Accrued Depreciation	- $0
Depreciated Replacement Cost New	$33,000,000
Add:	
Land Value	+ $3,800,000
Total	$36,800,000
Value Indicated by Cost Approach, Rounded	**$36,800,000**
	or $173,585 Per Unit

As mentioned in the *Introduction* section of this report, the proposed Henry Adams House Apartments will make interest payments of $725,000 annually in lieu of paying real estate taxes for a period of 35 years under the PILOT program. In exchange, the District of Columbia will transfer the proposed land area for the development of Henry Adams House Apartments at no cost to LCOR in return for LCOR's development of the proposed adjacent Oyster School. In the *Real Estate Taxes and Assessment* section of the report, real estate taxes were estimated at $569,800, or $2,700 per unit, based on our concluded value of $37,000,000. The difference between these figures equates to $155,200 in Year 1 of the projection period.

In an effort to determine the effect on value of the PILOT payments, we discounted the PILOT payments and the estimated real estate tax payments for a period of 35 years at a rate of 8.0 percent. This discount rate is lower than the selected rate for the property as a whole, but believed reasonable since the analysis of these payments is dealing with cash payments and does not have the same level of risk as the real estate as a whole. During this35 year period, PILOT payments will remain flat, and we have assumed that real estate taxes will increase 3.0 percent annually. Our calculation is shown in the table below.

Value of PILOT Payments	
Present Value – Estimated Real Estate Taxes	$9,227,178
Present Value – PILOT Payments	$8,449,562
Difference	**$777,616**

As shown in the above table, the difference in value is $777,616 on a present value basis, which must be added to total costs. The positive adjustment to value is due to the fact that the discounted value of the PILOT payments is actually lower than the discounted value of a real estate tax burden over the same period if the property was liable for real estate taxes. Thus, we conclude that the subject's *prospective market value at stabilization* via the *Cost Approach* will be $37,577,616, or $178,092 per unit.

***Prospective Market Value Upon Stabilization*, on or about November 1, 2001** by the *Cost Approach* :

$37,600,000

Methodology

In the Sales Comparison Approach, the appraiser estimates the value of a property by comparing it with similar, recently sold properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

By analyzing sales that qualify as arms-length transactions between willing and knowledgeable buyers and sellers, we can identify market value and price trends. The sold properties must be comparable to the subject in physical, locational, and economical characteristics. The basic steps of this approach are:

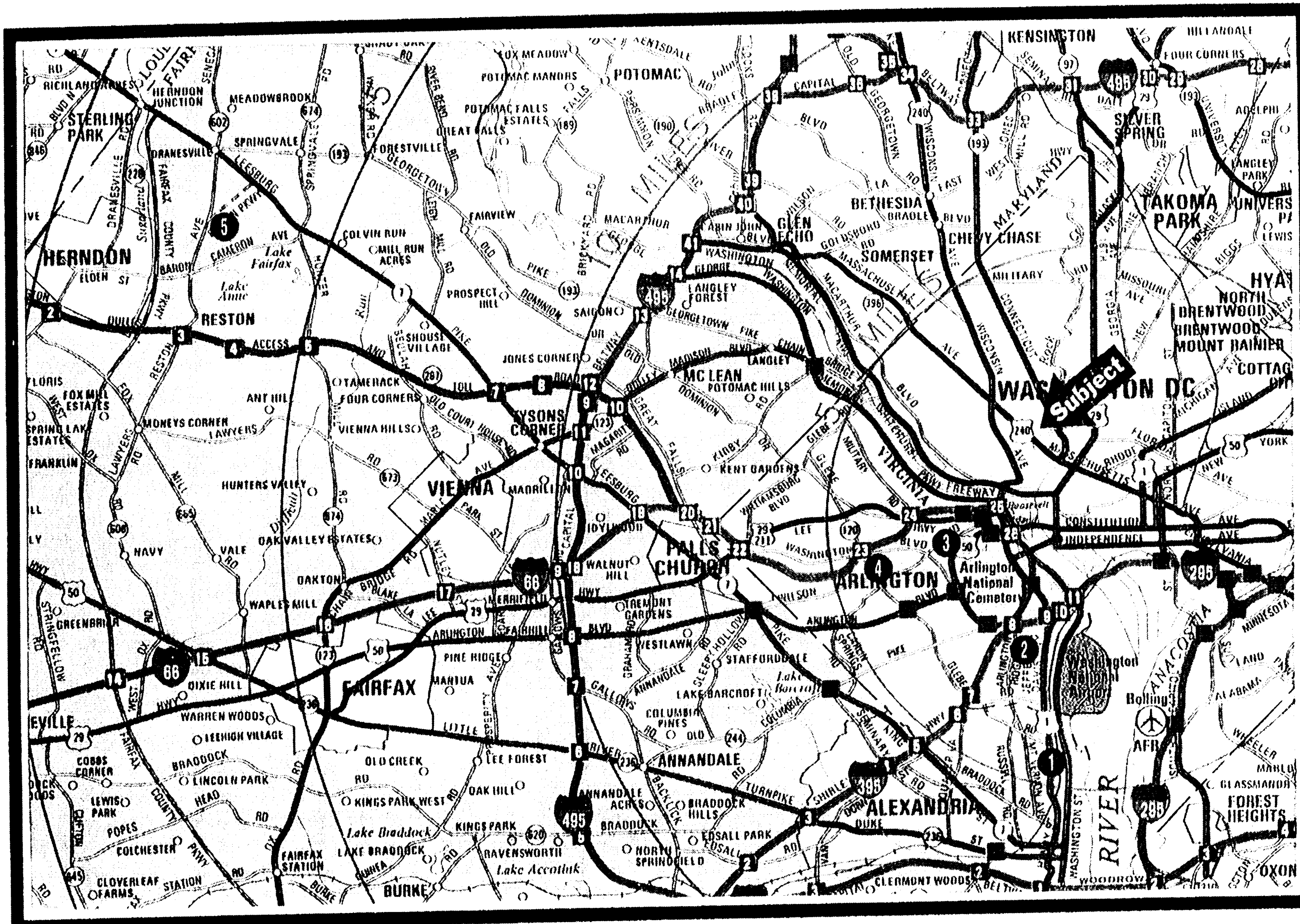
1. research recent, relevant property sales and current offerings throughout the competitive area;
2. select and analyze properties that are similar to the subject, giving consideration to the date of sale, any change in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
3. identify sales that include favorable financing and calculate the cash equivalent price;
4. reduce the sale prices to a common unit of comparison such as price per square foot of net rentable area, the price per unit and the effective gross income multiplier;
5. make appropriate adjustments to the prices of the comparable properties; and
6. interpret the adjusted sales data and draw a logical value conclusion.

In this instance, the sale prices of the comparables were reduced to those common units of comparison used by purchasers, sellers, brokers and appraisers to analyze improved properties that are similar to the subject. Of the available units of comparison, the sales price per unit and per square foot of net rentable area (used by buyers, sellers, and brokers), as well as the effective gross income multiplier (EGIM), employed predominantly by appraisers, are most commonly used in the market.

Generally, the EGIM is considered the most reliable indicator of value because it considers the income characteristics of the property; however, the price per unit and per square foot provides an alternative value indication and a check for reasonableness. The chart and map on the following pages summarize recent market data considered to be most indicative of the subject's current market value. Detail sheets with photographs relating to each of the sales can be found in the *Addenda* of this report.

Comparable Apartment Sales Summary

Sale No.	Apartment Location	Sale Date	Cash Equivalent Sales Price	Year Built / No. Units	Net Rentable SF / Average Unit Size	Occupancy at Sale	Overall Capitalization Rate	EGIM	Operating Expense Ratio	Sales Price Per Unit
1	Buchanan House 2301 S. Jefferson Davis Hwy. Arlington, VA	Jan-99	$60,000,000	1972 442	518,466 1,173	99%	9.00%	N/A	N/A	$135,747
2	Parc Vista 801 15th Street Arlington, VA	Apr-98	$39,200,000	1989 298	247,340 830	98%	7.22%	N/A	N/A	$131,544
3	Cascade at Rosslyn 1550 N. Clarendon Blvd. Arlington, VA	Dec-97	$20,000,000	1986 184	154,560 840	98%	7.28%	8.23	40.1%	$108,696
4	Lincoln Towers 850 N. Randolph Street Arlington, VA	Oct-97	$88,500,000	1992 714	626,892 878	93%	8.51%	7.48	36.3%	$123,950
5	St. Johns Woods 11555 Olde Tiverton Circle Reston, VA	Dec-98	$25,405,000	1990 250	233,530 934	96%	7.86%	35.0%	$ 108.79	$101,620
Subj:	**Henry Adams Apartments** **29th & Calvert Streets** **Washington Dc**			**Proposed** **212**	**178,250** **841**					--
						Minimum	7.22%	0.35	36.3%	$101,620
						Maximum	9.00%	8.23	10878.7%	$135,747
						Mean	7.72%	5.35	3651.7%	$116,452



Improved Sales Map

In our research and analysis of the market for improved properties with characteristics similar to those of the subject, we attempted to gather what we consider to be relevant data so that reasonable comparisons can be made. Comparability of physical, neighborhood, and economic characteristics are some of the more important criteria in analyzing these sales in relation to the subject property. On some grounds, the group is fairly homogeneous.

Our research for sales of high rise apartment complexes in the District produced no data from which reasonable comparisons could be made. We reviewed sales information for five transfers of high rise properties that occurred between 1996 and 1998. These properties were constructed between 1930 and 1970. Sales prices ranged from $38,074 to $66,800 per unit with newer projects commanding prices at the upper end of the range. Due to the age and the lack of amenities included in the improvements, it is our opinion that these sales would not provide the necessary data from which reasonable comparisons could be made.

Due the lack of comparable properties in the District, we expanded our research into the surrounding jurisdictions of the metropolitan area. The five comparable properties selected for our analysis are all located in suburban Virginia and were constructed between 1972 and 1992. The sales are considered similar in construction quality and type as the proposed subject, although the subject will be superior from an age of construction viewpoint. The properties were reportedly in average to good condition at the time of sale, or we have adjusted the purchase price of the properties to reflect any deferred maintenance items or capital improvements the buyers spent additionally after purchasing the property. Also, the occupancy rates of these properties were considered near or already stabilized at the time of sale, which is similar to the subject's estimated stabilized occupancy of 97 percent.

The five comparables reviewed indicate a variance in sales prices, ranging from $101,620 to $135,747 per unit on a cash equivalent basis. With respect to the overall analysis, it appears that the variance in sale prices is primarily associated with the quality or age of the complex, as well as locational differences or condition of improvements at the time of sale. However, it is important to address each property in terms of the conventional sequence of adjustments relative to the subject as follows. The analysis primarily concentrates on differences meriting adjustment with the specific aspects of each comparable noted in the summary chart.

Property Rights Conveyed

As shown in the summary chart, all of the comparables are substantially occupied and encumbered by short-term leases; therefore, the fee simple estate, subject to short-term leases, was conveyed in each case. Consequently, no adjustments are warranted for differences in property rights conveyed.

Seller Financing/Cash Equivalency

Each of the sales was financed at market rates and on terms generally available in the market. Therefore, a cash equivalency adjustment has not been made to these sales.

Conditions of Sale

We identified no special motivational conditions concerning the five comparable sales. Therefore, in our opinion, no adjustments are warranted for special motivational conditions.

Market Conditions

As shown in the summary table, the five transactions occurred between October 1997 and December 1998. There does seem to be a market forgood quality investment properties such as those represented by the comparables and the subject. These properties had substantial occupancies at the respective sales dates (i.e., the properties do not appear to have been liquidated), and rents have continued to increase. Accordingly, it is our judgment that some upward adjustment is warranted to I-3 and I-4 because of improving conditions since the date of sale.

Other Adjustments

The additional adjustments needed for the comparables are described for each property below with most of these adjustments involving location, condition, age-quality issues, or economic characteristics.

Comparable I-1 represents the January 1999 sale of Buchanan House Apartments. The sale is located in the Arlington area of Northern Virginia. This area is considered slightly superior but competitive with the subject in terms of locale. With 442 units, this complex is larger than the subject is and it has a larger average unit size of 1,173 square feet. This project was 99 percent occupied at the time of sale and was constructed in 1972. In the final analysis, with a sales price of $135,747 per unit, this sale is consideredto be similar to the subject.

Comparable I-2 is the April 1998 sale of Parc Vista, which is also located in Arlington, Virginia. The project was completed in 1989 and contains 298 units. The property sold for $39.2 million, or $131,544 per unit. This area is considered slightly superior but competitive with the subject in terms of locale due to its close-in nature. With 298 units, this complex is larger than the subject is and it has a slightly smaller average unit size of 830 square feet. This project was 98 percent occupied at the time of sale. In the final analysis, with a sales price of $131,544 per unit, this sale is also similar to the subject.

Comparable I-3 represents the December 1997 transfer of the Cascade at Rosslyn, which is located in the Ballston area of Arlington. This area is also considered comparable to the subject in terms of locale. The purchase price of $20.0 million equates to a price of $108,696 per unit. From a quality standpoint, this building is inferior to the subject in its as-is condition, and is smaller (184 units with an average unit size of 840 square feet). The small size limits investor interest in the property. This project was 98 percent occupied at the time of sale and was constructed in 1986. The comparable represents the lower end of the potential value range for the subject.

Comparable I-4, Lincoln Towers, located in Arlington, is similar to the subject in terms of condition and market appeal, though it is a much larger complex (714 units) with larger sized units (average unit size of 878 square feet). The property is the most recent construction of the sales presented. Its occupancy at sale was 93 percent compared with the subject's pro forma 97 percent. The comparable's sale price equated to $123,950 per unit. The overall rate on existing income and the price paid was 8.51 percent. This is one of the more similar comparables in terms of condition and quality, but inferior in terms of occupancy.

Comparable I-5 represents the December 1998 sale of St. Johns Woods Apartments, a garden apartment complex. The sale is located in the Reston area of Fairfax County. This area is considered slightly superior but competitive with the subject in terms of locale. From a quality standpoint, this building is inferior to the subject as it is constructed mostly of wood frame with a combination of vinyl siding and brick veneer exterior. With 250 units, this complex is larger than the subject and has a larger average unit size of 934 square feet. This project was 96 percent occupied at the time of sale and was constructed in 1990. In the final analysis, with a sales price of $101,620 per unit, this sale represents the lower end of the value range for the subject.

The sales price range on a NOI per unit basis is $101,620 to $135,747. Generally, a larger apartment complex will sell for a lower per unit rate than a similar but smaller project. Typically, factors such as location, age and condition, and amenities can be measured by differences in the net operating income of the comparable property and the subject. The following table reflects the differences in net operating income between the improved sales and the subject property as of the date of appraisal. The subject's net operating income was estimated at $14,416 per unit. This is NOI is reflective of the annual expense of the PILOT program.

Comparable Sales NOI

Sale No.	NOI Per Unit	Subject NOI Per Unit	Percent Difference
I-1	$12,217	$14,416	-15.3%
I-2	$9,497	$14,416	-34.1%
I-3	$7,913	$14,416	--45.2%
I-4	$10,548	$14,416	-26.9%
I-5	$7,987	$14,416	-44.6%

Sale I-1 with a sale price of $135,747 per unit had a NOI similar to the subject. This sale is inferior in age and offers far more units than the subject. As shown, we noted that Comparable I-1 represents the most recent transaction. With a price of $135,747 per unit, it represents the upper end of the value range. Conversely, Comparable I-5, with a sale price per unit of $101,620, represents the lower end of the value range. This sale is a garden apartment project that does not offer the amenities of an urban high-rise. However, it is of relatively recent construction and provides an indication of what investors will pay for good quality multi-family product. Sale I-4, Lincoln Towers, is the most recently constructed high-rise that has sold and exhibits a price of $123,950 per unit. This property is physically inferior to the subject due to its age but does have a NOI near the subject. Adjusting I-4's NOI upwards by the percentage difference between the subject's, indicates a value of $157,293 per unit.

Because of the multiple differences inherent in improved properties with respect to quality and design, not to mention the quality of the tenant base and income characteristics, mathematical adjustments for the reasoning noted would be extremely difficult, at best. However, by adjusting the sale prices in the directions noted, the range certainly seems to narrow toward our conclusion. Accordingly, our estimated sale price of $150,000 to $160,000 per unit appears reasonable.

Therefore, the subject's total value, via the sales price per unit analysis, is calculated as follows:

211 units @ $150,000/Unit = $32,000,000 *rounded*

211 units @ $160,000/Unit = $34,000,000 *rounded*

Effective Gross Income Multiplier Analysis

The Effective Gross Income Multiplier (EGIM) is a ratio that measures the relationship between the sales price of a property and its effective gross income. Effective gross income is the total annual income that a property would produce after an allowance for vacancy and credit loss. Generally speaking, an effective gross income multiplier is inversely related to the expense ratio and overall rate (i.e., a higher multiplier reflects a lower expense ratio and overall vacancy and vice versa) when stable conditions are present. However, in properties where the economic performance is projected by the buyer to improve, the reverse is generally true. A higher multiplier reflects an even lower overall rate, and an even higher expense ratio and vacancy level. It is a reliable yardstick of comparison when extracted from market data that exhibits a high degree of uniformity, particularly with respect to location, risk, age, financing, anticipated vacancy and expense ratio.

Where possible, the expense ratios of the comparable properties have been calculated by dividing the estimated expenses by the indicated effective gross annual income. In this analysis, sufficient data was available on all of the comparables and the expense ratios and EGIMs calculated for this analysis are based on actual occupancy levels at the time of sale rather than pro forma occupancy levels. Although it may appear that using actual income and expense data to derive indicators and/or ratios is more accurate, it must be noted that some of the indicators and/or ratios are skewed because they do not necessarily reflect future changes, such as increasing income (such as for a property with a low occupancy level). In any event, following are the expense ratios inherent in the sales in which we can calculate that data. As a visual aid, we have grouped the sales in ascending order relative to the EGIM.

The effective gross income multipliers exhibited by the comparable sales from which we could obtain actual income and expenses at the time of sale, range from 7.48 to 8.27. Following is a summary of the expense ratios and EGIM's for each of the comparable sales

Comparable Sale Rate and Ratio Analysis

Sale	Date of Sale	Occupancy At Sale	Expense Ratio	EGIM
I-1	1/99	99%	N/A	N/A
I-2	4/98	98%	N/A	N/A
I-3	12/97	98%	40.1%	8.23
I-4	10/97	93%	36.3%	7.48
I-5	12/98	96%	35.0%	8.27
Subject		**N/A**		

Like the subject, all of the sales had achieved a stabilized occupancy level at the time of sale of 95 percent or higher with the exception of Improved Sale I-4 which was 93 percent occupied at the time of sale. The expense ratios of the comparables fall within a range of 35 to 40 percent. Before capital replacements, the subject's projected expense ratio equates to 35.2 percent of the effective gross income. This ratio is inclusive of the annual costs associated with the PILOT program. The expense ratio, which is based on our projected effective rental rates for the subject, is within the range of the expense ratios exhibited by the comparable sales.

The subject's pro forma occupancy is at the lower level of the range as is its expense ratio. It is our opinion that the EGIM applicable to the subject should be near the low point of the range exhibited by these sales. Therefore, an EGIM of between 7.5 and 8.0 is considered appropriate for the subject. These multipliers are applied to the forecasted 1999 effective gross income estimated for the subject of $4,698,521 (see *Income Capitalization Approach* section of this report) resulting in a value conclusion as follows:

EGIM Analysis

Forecast Effective Gross Income		**Effective Gross Income Multiplier**		**Indicated Value**
$4,698,521	X	7.5	=	$35,288,908
$4,698,521	X	8.0	=	$37,588,817
		Rounded To:		$36,000,000

We concluded that the value by the NOI per unit analysis fell in the range of $32,000,000 to $34,000,000 while the EGIM analysis produced a value indication of $36,000,000 for the subject property. Both analyses are considered to reflect accurate indications of value although the EGIM analysis is considered slightly more reliable due to the number of adjustments required when utilizing the sales price per unit analysis. After considering all factors, it is our opinion that a reconciled value for the subject property by the Sales Comparison Approach should be $36,000,000.

Sales Comparison Approach Conclusion

Given that the projected operating expense ratio of the subject falls at the lower end of the range indicated by the sales comparables, we believe the value derived by the EGIM analysis is accurate. In addition, because the projected operating expense ratio is in line with the market, there is no added value attributable to the PILOT program.

***Prospective Market Value Upon Stabilization*, on or about November 1, 2001,** by the *Sales Comparison Approach*:

$36,000,000

Methodology

The *Income Capitalization Approach* is a method of converting the anticipated economic benefits of owning property into a value estimate through capitalization. The principle of "anticipation" underlies this approach in that investors recognize the relationship between an asset's income and its value. In order to value the anticipated economic benefits of a particular property, potential income and expenses must be estimated, and the most appropriate capitalization method must be selected.

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from market sales to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to an estimate of net present value at a chosen yield rate (internal rate of return).

In our opinion, the direct capitalization method is the most appropriate method, although we have also developed the discounted cash flow. It has been our experience that apartment complexes in this market are traded based upon capitalization of a forecast of stabilized net operating income. We have utilized both methods in our valuation.

Potential Gross Income

Market Rental Rates

In order to estimate the market rent achievable for the proposed Henry Adams House Apartments rents we examined rents on a per square foot and a per unit basis, both of which are important. The rent per square foot adjusts for the size differences between the apartment units in different projects due to the fairly clear correlation between unit size and rent on a per square foot basis. Typically larger units tend to rent for less per square foot than smaller units. The absolute total rent is taken into consideration because tenants are often more conscious of the monthly rent rather than the rent per square foot.

In addition, asking rents vary depending upon utility structure, amenities and the quality and condition of the property. The utility structure refers to what a tenant pays in utilities. Amenities include individual unit and complex amenities that are included in the monthly rent such as fireplaces, views, exercise facilities, parking, etc. The quality and condition of the property refers to the overall curb appeal of the property.

The proposed Henry Adams House Apartments will feature five basic apartment models – efficiency, one-bedroom/one-bath. one-bedroom/one-bath/den, one-bedroom/two-bath/den and two-bedroom/two-bath. Upon completion there will be a total of 211 units with 17 different floor/size plans. For purposes of this analysis we compared each of the subject's proposed unit sizes to similar units of comparable properties in order to conclude to a market rent for each of the subject unit types. Based on our discussion in the *Apartment Market Analysis* section of this report, we project lease-up to occur at a rate of 25 units per month.

Efficiency Units

Henry Adams House will feature a total of 21 efficiency units containing 577 square feet. According to The asking rents for comparable unit types in the subject's micro market are summarized below.

Unit Type: Efficiency								
		Unit	Unit Size		Monthly Rent		Rent Per SF	
No.	Name	Type	Low	High	Low	High	Low	High
R-1	Westbroke Place	Studio	501	501	$1,191	$1,191	$2.38	$2.38
R-3	The Saratoga	Studio	550	550	$985	$995	$1.79	$1.81
R-5	2501 Porter	Junior 1-BR/1-BA	574	574	$1,200	$1,300	$2.09	$2.26
R-6	Kennedy-Warren	Efficiency	525	525	$850	$900	$1.62	$1.71
		Low	**501**		**$850**		**$1.62**	
		High	**574**		**$1,300**		**$2.38**	
		Subject	**577**		***April 1999 LCOR Estimate***		***$2.04***	

Asking rents at comparable projects range from $850 to $1,300 per month. The subject is most similar in size and location to 2501 Porter Street (R-5) with asking rents ranging from $1,200 to $1.300 month. All of the comparables except R-6 were considered slightly superior to the subject in terms of amenities. Thus, we applied an upward adjustment to Comparables R-1, R-3 and R-5 and a downward adjustment to R-6 only for amenities offered.

Unlike the other comparables, tenants are not responsible for utility charges at Westbroke Place and Kennedy-Warren, therefore we applied a downward adjustment to these comparables. Inasmuch the proposed subject property represents new construction, the overall quality and condition will be superior to each of these comparables. Thus, an upward adjustment was warranted for each of the comparables.

Overall, the subject's projected rent is considered to be most similar to the middle range exhibited by Rent Comparable 5 around $2.18 per square foot, or $1,260 per month. This figure is above the $2.04 per square foot projected by LCOR.

One-Bedroom / One-Bath Units

The subject will contain 125 one-bedroom, one-bath units containing from 693 square feet to 900 square feet. Highlighted In the table below are asking rents at comparable properties for similar unit types.

Unit Type: One Bedroom / One Bath								
		Unit	Unit Size		Monthly Rent		Rent Per SF	
No.	Name	Type	Low	High	Low	High	Low	High
R-1	Westbroke Place	1-BR/1-BA	715	715	$1,450	$1,450	$2.03	$2.03
R-2	Ambassador House	1-BR/1-BA	650	650	$1,400	$1,800	$2.15	$2.77
R-3	The Saratoga	1-BR/1-BA	700	700	$1,200	$1,480	$1.71	$2.11
R-4	McLean Gardens	1-BR/1-BA	627	677	$1,220	$1,400	$1.95	$2.23
		1-BR/1-BA	700	768	$1,320	$1,550	$1.89	$2.21
R-5	2501 Porter	1-BR/1-BA	694	694	$1,300	$1,450	$1.87	$2.09
R-6	Kennedy-Warren	1-BR/1-BA	775	775	$1,350	$1,425	$1.74	$1.84
		Low	**627**		**$1,200**		**$1.71**	
		High	**775**		**$1,800**		**$2.77**	
		Subject	**693 - 900**		***April 1999 LCOR Estimate***		***$1.93***	

The complexes surveyed offered comparable unit sizes ranging from 627 to 775 square feet. LCOR estimates market rent at $1.93 per square foot which is at the lower end of the range exhibited by the comparables. Once again, the same adjustments are applied for amenities, quality and condition and utility structure with the exception of R-2. The Ambassador House is the newest project in our survey being constructed in 1998 and, thus, warrants no adjustment for quality and condition. However, the Ambassador House is inferior in the amenities offered, which requires a downward adjustment.

After adjustments we concluded to a market rent of $2.10 per square foot for the subject's one-bedroom units ranging in size from 693 to 716 square feet and $2.08 for one-bedroom units ranging from 761 to 819 square feet.

None of the comparables surveyed offered a unit size comparable to the subject's 900 square foot one-bedroom unit. Only one unit of this type is proposed for the subject property. Based on the above analysis, the subject's asking rent for this unit type would be more in line with our concluded market rent of $2.00 per square foot for one-bedroom with one bath and den units.

One-Bedroom Units / One-Bath / Den Units

The subject property will contain 22 one-bedroom units with one bath and den in two configurations ranging in size from 950 to 993 square feet. Asking rent for comparable unit types in the subject's micro market are presented below.

Unit Type: One Bedroom / One Bath / Den								
No.	**Name**	**Unit Type**	**Unit Size Low**	**Unit Size High**	**Monthly Rent Low**	**Monthly Rent High**	**Rent Per SF Low**	**Rent Per SF High**
R-1	Westbroke Place	1-BR/1-BA/DEN	890	890	$1,800	$1,800	$2.02	$2.02
R-2	Ambassador House	1-BR/1-BA/DEN	912	912	$1,790	$2,300	$1.96	$2.52
R-5	2501 Porter	1-BR/1-BA/DEN	805	805	$1,525	$1,625	$1.89	$2.02
		1-BR/1-BA/DEN	892	892	$1,625	$1,725	$1.82	$1.93
R-6	Kennedy-Warren	1-BR/1-BA/DEN	940	940	$1,575	$1,650	$1.68	$1.76
		Low	**805**		**$1,525**		**$1.68**	
		High	**940**		**$2,300**		**$2.52**	
		Subject	**950 - 993**		***April 1999 LCOR Estimate***		***$1.84***	

The subject's one-bedroom with one bath and den is most similar in size to R-2 and R-6. The remainder of the comparables are notably smaller than the subject's proposed unit type. In determining a market rent for this unit type, we relied heavily on R-2 and R-6. R-2 is the newest project in our survey and requires no adjustments for quality and condition or curb appeal. However, we applied an upward adjustment to R-2 due to lack of amenities. R-6 is the oldest complex included in our survey, thus required an upward adjustment for quality and condition. An additional downward adjustment was applied for the utility structure at Kennedy-Warren, where management is responsible for payment. A lesser upward adjustment was applied for amenities as the Kennedy-Warren offers more than the Ambassador House.

We concluded to a market rent at the lower end of the range exhibited by R-2 and the upper limit of R-6 at $2.00 per square foot, which is much higher than LCOR's stabilized rent projection of $1.84 per square foot.

One-Bedroom Units / Two-Bath / Den Units

The subject property will contain a single one-bedroom unit with two baths and den containing 900 gross square feet. Asking rents for comparable unit types in the subject's micro market are presented below.

Unit Type: One Bedroom / Two Bath / Den								
No.	**Name**	**Unit Type**	**Unit Size Low**	**Unit Size High**	**Monthly Rent Low**	**Monthly Rent High**	**Rent Per SF Low**	**Rent Per SF High**
R-1	Westbroke Place	1-BR/2-BA/DEN	1,046	1,046	$2,300	$2,300	$2.20	$2.20
R-2	2501 Porter	1-BR/2-BA/DEN	871	871	$1,575	$1,575	$1.81	$1.81
	2501 Porter	1-BR/2-BA/DEN	892	892	$1,620	$1,620	$1.82	$1.82
		Low	**871**		**$1,575**		**$1.81**	
		High	**1,046**		**$2,300**		**$2.20**	
		Subject	**1,076**		***April 1999 LCOR Estimate***		***N/A***	

Westbroke Place is the most comparable in size to the subject's proposed unit type. The same adjustments were made for differences in amenities offered, quality and condition and utility structure. There were no projected rents provided by LCOR for this unit type. Placing the most emphasis on R-1, we concluded to a market rent of $1.99 per square foot after adjustments.

Two Bedroom / Two Bath Units

The subject property will offer 42 two-bedroom units with two baths containing 1,058 to 1,197 square feet. Presented in the table below are asking rents at comparable properties.

Unit Type: Two Bedroom / Two Bath								
		Unit	Unit Size		Monthly Rent		Rent Per SF	
No.	Name	Type	Low	High	Low	High	Low	High
R-1	Westbroke Place	2-BR/2-BA	997	997	$2,600	$2,600	$2.61	$2.61
R-2	Ambassador House	2-BR/2-BA	1,000	1,000	$2,000	$2,400	$2.00	$2.11
R-3	The Saratoga	2-BR/2-BA	1,000	1,000	$1,200	$1,480	$1.20	$1.91
R-4	McLean Gardens	2-BR/2-BA	1,100	1,100	$1,885	$2,150	$1.71	$0.00
R-5	2501 Porter	2-BR/2-BA	1,026	1,026	$1,850	$1,975	$1.80	$1.92
	2501 Porter	2-BR/2-BA	1,044	1,044	$1,850	$1,975	$1.77	$1.89
R-6	Kennedy-Warren	2-BR/2-BA	1,470	1,470	$3,500	$4,000	$2.38	$1.60
		Low	**997**		**$1,200**		**$1.20**	
		High	**1,470**		**$4,000**		**$2.61**	
		Subject	**1,058 - 1,197**		***April 1999 LCOR Estimate***		***$1.87***	

With the exception of R-6, the subject's proposed two-bedroom unit types are similar in size to all of the comparables surveyed. Two-bedroom units at the Kennedy-Warren are three to four more room sizes larger than the subject, thus required an upward adjustment. The same adjustments for amenities, quality and condition and utility structure are applicable. We relied heavily on R-5 to derive our estimate of $1.95 per square foot, a figurewhich is above LCOR's April 12, 1999 forecast of $1.87 per square foot.

Market Rent Summary

Based on the above discussions, our market rent estimates for the subject property are as follows:

Henry Adams House							
Unit No.	Unit Type	Number of Units	Gross Size (SF)	Rentable Area (SF)	Rent Per SF	Potential Gross Monthly Rent
E	Efficiency	21	577	12,117	$2.18	$26,415
1-A	1-BR/1-BA	42	765	32,130	$2.08	$66,830
1-A-2	1-BR/1-BA	8	765	6,120	$2.08	$12,730
1-B	1-BR/1-BA	30	772	23,160	$2.08	$48,173
1-C	1-BR/1-BA	20	716	14,320	$2.10	$30,072
1-E	1-BR/1-BA	21	761	15,981	$2.08	$33,240
1-F	1-BR/1-BA	1	900	900	$2.00	$1,800
1-G	1-BR/1-BA	1	819	819	$2.08	$1,704
I -H	1-BR/1-BA	2	693	1,386	$2.10	$2,911
1+D/A	1-BR/1-BA/DEN	11	993	10,923	$2.00	$21,846
1+D/B	1-BR/1-BA/DEN	11	950	10,450	$2.00	$20,900
1+D/C	1-BR/2-BA/DEN	1	1,076	1,076	$1.99	$2,141
2-A	2-BR/2-BA	9	1,197	10,773	$1.95	$21,007
2-B	2-BR/2-BA	11	1,190	13,090	$1.95	$25,526
2-C	2-BR/2-BA	10	1,058	10,580	$1.95	$20,631
2-D	2-BR/2-BA	11	1,109	12,199	$1.95	$23,788
2-E	2-BR/2-BA	1	1,096	1,096	$1.95	$2,137
Totals/Average		211	839	177,120	$2.04	$361,851

Estimate of Potential Rental Income
Apartment

We have utilized our market rent estimates to derive a gross income of $4,368,600 as the forecasted revenue for the subject property. It is our opinion that there will be virtually no lag between quoted rents and market rents as we have projected a lease-up rate of 25 units per month, which will occur approximately eight months from the date of completion.

Other Income

In addition to rents, income is derived from garage rentals, storage space, cleaning fees, late charges, maintenance recoveries, pet fees, termination fees, security deposit forfeitures and miscellaneous income. LCOR projects this figure at $522,037, or $2,462 per unit, which appears more than reasonable given the costs associated with parking at the comparable properties surveyed in the *Apartment Market Analysis* section.

Comparables surveyed in the Apartment Market Analysis section indicated rentals ranging from $55 to $167 per month for parking spaces with there being constant demand at most complexes with the only exception being 2501 Porter Street. Given the lack of available street parking in the area, we anticipate the demand for parking spaces to be high as evidenced by the comparables. If at least 200 spaces were rented at $100 per month, a total of $240,000, or $1,137 per unit, would be received annually in Other Income. Therefore, a figure of $2,500 perunit, or $530,000 annually, for Other Income does not seem unreasonable given the large amount of revenue generated by the rental of parking spaces. This figure is also consistent with the owner's budget.

Vacancy and Collection Loss

Both the investor and the appraiser are primarily interested in the annual revenue an income property is likely to produce over a specified period of time, rather than the income it could produce if it were always 100 percent occupied and all tenants were paying their rent in full and on time. A normally prudent practice is to expect some income loss as tenants vacate, fail to pay rent, or tenants who pay their rent late.

The overall vacancy factor for subject's micro market was 99 percent, which is relatively low and is expected to remain at this level through the near term. Therefore, we have stabilized the vacancy at three percent of potential gross income

Coupled with a vacancy rate deduction, we also consider bad debt or collection loss. Bad debts at the subject property have reportedly been quite low. The operating statements we were furnished did not report this expense as a line item; however, it is our experience that a prudent investor would allocate between 0.5 to 2.0 percent of gross rental income depending on the property. We are of the opinion that 1.0 percent is a reasonable allowance to account for bad debt or collection loss for a property like the subject. Total vacancy and collection loss is 4.0 percent.

Rent Concessions

As noted previously, we have based our market rent analysis on an effective basis, net of concessions and as such, rent inducements are factored into our concluded market rents. In the subject's micro market, we saw no concessions in the current market.

Apartment Allowances

According to Tim Smith of LCOR there will be no model or employee units. Model units will consist of unoccupied units during lease-up. Upon reaching 100 percent occupancy, there will be no designated model unit. The management office is also not included in the total unitcount as it will be constructed for that specific purpose.

Our survey of comparable properties discussed in the *Apartment Market Analysis* indicated that model units consisted of unoccupied units and only discounted employee units were offered. Thus, it is uncommon in the market to have anon-revenue generating unit.

Operating Expenses

We forecasted the subject property's Year 1 operating expenses after reviewing LCOR's pro forma and the operating statements of similar complexes with which we are familiar. Operating statements of similar complexes for which we have operating data are highlighted in the table on the following page. Thereafter, we present the pro forma developed by LCOR for the first year of operation.

Operating Expense Comparable Summary

Expense Comparable	E-1	E-2	E-3	E-4	Average
Property Location	Montgomery County	Washington DC	Fairfax County	Alexandria	
Property Type	High-rise	Mixed	High-rise	High-rise	
Year Built	1969	1989	1978	N/A	
Number of Units	1119	574	419	396	
Expense Year	1998	1998	1998	1996	
OPERATING EXPENSES	**Per Unit**	**Per Unit**	**Per Unit**	**Per Unit**	**Per Unit**
Variable (Operational) Expenses					
Management	$279	$540	$506	$264	$397
Utilities	1,649	527	509	681	$842
Repairs and Maintenance	812	641	839	952	$811
Marketing	235	225	139	0	$150
Salaries and Benefits	932	1,090	873	1,078	$993
Administrative	209	281	225	431	$287
Total Variable Expenses	$4,116	$3,304	$3,091	$3,406	$3,479
Fixed Expenses					
Real Estate Taxes	$492	$946	$800	$239	$619
Insurance	162	103	92	51	$102
Total Fixed Expenses	$654	$1,049	$892	$290	$721
Unit Replacements	$0	$0	N/A	$0	$0
Total Operating Expenses	$4,770	$4,353	$3,983	$3,696	$4,201
Management Fee as % of EGI	4.8%	3.0%	4.9%	4.9%	4.4%
Operating Expense Ratio	44.9%	49.5%	38.9%	42.0%	43.8%

Henry Adams House Apartments Developer's Pro Forma			
	Total	Per Unit	Per SF
INCOME			
Gross Potential Rent	$4,308,507	$20,323	$24.17
Less Vacancy & Collection Loss	($172,898)	($816)	($0.97)
Other Income	$522,037	$2,462	$2.93
Effective Gross Income	$4,657,646	$21,970	$26.13
OPERATING EXPENSES			
Variable Expenses:			
Management	$186,306	$879	$1.05
Utilities	$68,575	$323	$0.38
Repairs / Maintenance / Cleaning	$224,293	$1,058	$1.26
Payroll	$211,633	$998	$1.19
Marketing & Administrative Costs	$182,093	$859	$1.02
Total Variable Expenses	$872,900	$4,117	$4.90
Fixed Expenses			
Real Estate Taxes (PILOT)	$0	$0	$0.00
PILOT	$725,000	$3,420	$4.07
Insurance	$21,100	$100	$0.12
Total Fixed Expenses	$746,100	$3,519	$4.19
Total Operating Expenses	$1,619,000	$7,637	$9.08
Operating Expense Ratio: 37.58%			
Reserves:	$63,300	$300	$0.36
Expenses w/ Reserves:	$1,682,300	$7,935	$9.44
NET OPERATING INCOME	$2,975,346	$14,035	$16.69

The following is a discussion of our expense projections. Typical investor expectations, as noted in various investor surveys, indicate anticipation of three to four percent annualgrowth. We consulted investor expectations as noted in the *Cushman & Wakefield Investor Survey, 1998* and the *Korpacz National Apartment Market Survey, First Quarter 1999,* and concluded to 3.0 percent per annum. This rate does not attempt to reflect the rate of growth in any individual year, but rather the long-term trend over a typical investment horizon.

Operating expenses are classified into variable (operational) and fixed categories.

Analysis and Conclusion

Variable Expenses

Variable expenses are operating expenditures that generally fluctuate with the level of occupancy and/or intensity of property operation. These (rounded) expenses are described on the following pages.

Management - Management fees are generally quoted as a percent of effective gross income. A management fee equal to three to five percent of the effective gross income is typical in this market. As such, we used a management fee of 4.0 percent of EGI in our pro forma.

Utilities - This expense category typically includes electricity, water, trash collection, sewer and gas. LCOR projects a figure of $68,575, or $323 per unit. Costs for this expense ranged from a low of $509 to $1,649 at the surveyed properties. We estimated a total utility cost of $68,900 or $325 per unit which seems reasonable given the newness of the subject property in comparison to the expense comparables.

Repairs / Maintenance / Cleaning - This category includes allocations for general maintenance of the interior and exterior of the buildings, as well as minor maintenance to the HVAC equipment, plumbing, kitchen appliances, roofs, and maintenance supplies. The expense comparables ranged from a low of $641 per unit to a high of $952 per unit. We estimated a figure of $211,000 or $1,000 per unit, which is lower than the forecasted amount, but reasonable given the newness and quality of improvements.

Payroll & Benefits - This expense category includes all salary, hourly, and commissioned employees, plus benefits such as insurance, payroll taxes, and workers compensation. The expense comparables range from $873 to $1,090 per unit. We estimated a stabilized figure of $232,100 or $1,100 per unit, which is in line with the budgeted cost and upper limit of the range of the comparables.

Marketing and Administrative Costs – This expense category typically includes office expenses and supplies. The estimate developed by us includes the Administrative, Leasing, and Advertising expenses from the owners statements. The budgeted amount for this expense is $182,093 or $859 per unit. We estimated a stabilized figure of $147,700 or $700 per unit, which recognizes the initial lease-up and other costs not reflected in the comparables range of $344 to $431 as they represent older, established properties.

Fixed Expenses

Fixed expenses are those which generally do not vary with occupancy and have to be paid whether the property is occupied or vacant. The two primary expenses in this category are real estate taxes and hazard insurance.

Real Estate Taxes - As discussed in the *Real Estate Tax and Assessment* section, the subject's tax liability is $0 per unit.

PILOT - As discussed in the *Real Estate Tax and Assessment* section, the subject's payment in lieu of taxes is estimated at $725,000, or $3,420 per unit, and will remain fixed for a period of 35 years.

Insurance - The insurance expense at the subject includes liability, property damage, vehicle and umbrella insurance. LCOR estimates a figure of $100 per unit for this expense. The expense comparables indicate a range of $51 to $162 per unit with an average of $102. We estimated a figure of $21,100, or $100 per unit, which is in consistent with the developer's forecast.

Although our operating expenses of $7,852 per unit are considerably higher than the comparables, it appears reasonable given the findings of Delta Associates and the expense incurred for PILOT payments. According to a survey conducted by Delta Associates, operating expenses for Class A high rise apartment complexes in Northwest Washington average $7,082 per unit. If the PILOT expense of $3,436 per unit were replaced with a figure equal to a tax liability of $2,700 per unit based on our value conclusion of $37,000,000, operating expenses would be reduced by $736. By deducting $736 from $7,852, operating expenses are reduced to $7,116, which is consistent with the findings of Delta Associates.

Nonetheless, in spite of the PILOT expense, the subject's operating expense ratio is lower than the range exhibited by the comparables. In addition, the subject's projected NOI per unit of $14,416 is also higher than the range of $7,913 to $12,217 exhibited by the comparables analyzed in the *Sales Comparison Approach*. For all these reasons, we believe our projection of expenses is reasonable.

Reserves for Unit Replacement

It is customary for apartment investors to include a reserve for replacement in their forecasts of income and expense. We have talked with informed investors in complexes of this property type and find that reserves are usually established at $150 to $300 per unit. In our appraisal, we used $300 per unit based on the amenity package of the property which includes higher end appliances and finishes. The reader should note that this figure is consistent with LCOR's projection of $300 per unit.

Capital Reserves

The typical informed investor makes an allowance of $0.10 to $0.20 per net rentable square foot for future capital reserves such as exterior painting, roof replacement, parking lot resurfacing and renovation of amenities such as clubhouse and pool. The capital reserves allowance is usually taken below the net operating income line in the statement of income and expense. We have estimated capital reserves at $0.25 per square foot based on the proposed superior quality of the improvements. This item is deducted from the cash flows in the discounted cash flow model.

Income and Expense Summary

Presented on the following page is our estimate of stabilized income and expenses.

Proposed Henry Adams House Apartments
Washington, DC

Stabilized Operating Statement			
ECONOMIC RENTAL INCOME			$4,342,210
LESS: VACANCY	3.0%	Of Economic Rent	($130,266)
LESS: COLLECTION LOSS	1.0%	Of Economic Rent	($43,422)
EFFECTIVE RENTAL INCOME			$4,168,521
OTHER INCOME			$530,000
EFFECTIVE GROSS INCOME			$4,698,521
VARIABLE EXPENSES:			
MANAGEMENT @	4.0%	of EGI	$187,941
UTILITIES	$325	/Unit	$68,575
REPAIRS & MAINTENANCE	$1,000	/Unit	$211,000
PAYROLL	$1,100	/Unit	$232,100
MARKETING & ADMINIISTRATIVE COSTS	$700	/Unit	$147,700
RESERVES FOR REPLACEMENT	$300	/Unit	$63,300
TOTAL VARIABLE EXPENSES	$4,316	/Unit	$910,616
FIXED EXPENSES:			
REAL ESTATE TAXES	$0	/Unit	$0
PILOT	$3,436	/Unit	$725,000
INSURANCE	$100	/Unit	$21,100
TOTAL FIXED EXPENSES	$3,536	/Unit	$746,100
TOTAL OPERATING EXPENSES	$7,852	/Unit	$1,656,716
EXPENSE RATIO	35.3%		
NET OPERATING INCOME	$14,416	/Unit	$3,041,805

Direct Capitalization

In the direct capitalization method, we estimate the market value by dividing the pro forma net operating income by an overall capitalization rate derived from our analysis of the market sales. An analysis of the comparable apartment sales indicates a range of capitalization rates based on the in place income ranged between 7.22 to 9.0 percent. The sale of Parc Vista Apartments, at an indicated capitalization rate of 7.22 percent, marks the low end of the range. The high end of the range is indicated by the sale of Buchanan House Apartments at an indicated capitalization rate of 9.0 percent. This sale is considered very relevant to our analysis as it is the most current sale date. Sale I-4, Lincoln Towers, is the most recently constructed high-rise that has sold and is also very relevant to our analysis. The indicated capitalization rate for this sale was 8.51 percent. However, the reader should note that all of the sales represent much older construction as compared to proposed improvements.

Additionally, Cushman & Wakefield Valuation Advisory Services Group surveyed national real estate investors to determine their investment objectives. The Fall 1998 survey, included in the *Addenda*, showed going-in capitalization rates for projects between 7.5 and 9.3 percent, with a mean low and high of 8.4 and 8.8 percent. The Korpacz Real Estate Investor Survey for the First Quarter 1999 indicated overall capitalization range of 7.5 to 11.0 percent with an average of 8.83 percent.

In the final analysis, given the subject's location and newness, we have concluded that an overall capitalization rate slightly below the average capitalization rate reported by Korpacz and the indicated rate for Sale I-4. Based on our analysis of the sales and other supporting data, it is our opinion that a direct capitalization rate of 8.50 percent is appropriate. Thus, the value of the subject property via the direct capitalization method is calculated as follows:

Direct Capitalization	
Net Operating Income	$3,041,805
Overall Capitalization Rate	÷ 8.50%
Indicated Value	$35,785,941
Rounded to:	$36,000,000

Analysis and Conclusion

Value indicated by Direct Capitalization: $36,000,000

Discounted Cash Flow Analysis

An electronic spreadsheet program was used to model future income and expenses. In formulating our discounted cash flow model, the following assumptions were used:

1. The pro forma is based on a ten-year holding period.
2. All revenue and expense items have been entered based on our current estimates.
3. Based on our assessment of rental market as discussed previously in this report, we estimated a three percent growth rate in effective rents.

4. Operating expenses with the exception of PILOT payments were estimated to increase at the assumed general inflation rate of three percent.
5. The reversion estimate was based on a resale in the tenth year of the analysis period. It was formulated by applying a 9.50 percent overall rate to the eleventh year NOI and subtracting a three percent selling cost.
6. The net cash flows and net reversion were discounted to net present value using an equity yield (discount) rate, as derived below.

Our discounted cash flow analysis is presented on the following page.

PROPOSED HENRY ADAMS HOUSE APARTMENTS
WASHINGTON, DC
DISCOUNTED CASH FLOW ANALYSIS

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11
TOTAL RENTAL INCOME AT MARKET		$4,342,210	$4,472,476	$4,606,650	$4,744,850	$4,887,195	$5,033,811	$5,184,825	$5,340,370	$5,500,581	$5,665,599	$5,835,567
Less: Vacancy & Collection Loss		($173,688)	$178,899	$184,266	$189,794	$195,488	$201,352	$207,393	$213,615	$220,023	$226,624	$233,423
Less: Model & Employee Units		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Effective Rental Income		$4,168,521	$4,293,577	$4,422,384	$4,555,056	$4,691,707	$4,832,459	$4,977,432	$5,126,755	$5,280,558	$5,438,975	$5,602,144
Add: Other Miscellaneous Income		$530,000	$545,900	$562,277	$579,145	$596,520	$614,415	$632,848	$651,833	$671,388	$691,530	$712,276
EFFECTIVE GROSS INCOME		$4,698,521	$4,839,477	$4,984,661	$5,134,201	$5,288,227	$5,446,874	$5,610,280	$5,778,588	$5,951,946	$6,130,504	$6,314,420
OPERATING EXPENSES:												
Management Fee		$187,941	$193,579	$199,386	$205,368	$211,529	$217,875	$224,411	$231,144	$238,078	$245,220	$252,577
Utilities		$68,575	$70,632	$72,751	$74,934	$77,182	$79,497	$81,882	$84,339	$86,869	$89,475	$92,159
Repairs / Maintenance / Cleaning		$211,000	$217,330	$223,850	$230,565	$237,482	$244,607	$251,945	$259,503	$267,288	$275,307	$283,566
Payroll		$232,100	$239,063	$246,235	$253,622	$261,231	$269,068	$277,140	$285,454	$294,017	$302,838	$311,923
Marketing & Administrative Costs		$147,700	$152,131	$156,695	$161,396	$166,238	$171,225	$176,362	$181,652	$187,102	$192,715	$198,496
Reserves for Unit Replacement		$63,300	$65,199	$67,155	$69,170	$71,245	$73,382	$75,584	$77,851	$80,187	$82,592	$85,070
FIXED EXPENSES												
Real Estate Taxes		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PILOT		$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000
Insurance		$21,100	$21,733	$22,385	$23,057	$23,748	$24,461	$25,195	$25,950	$26,729	$27,531	$28,357
TOTAL OPERATING EXPENSES		$1,656,716	$1,684,667	$1,713,457	$1,743,111	$1,773,654	$1,805,114	$1,837,517	$1,870,893	$1,905,270	$1,940,678	$1,977,148
NET OPERATING INCOME		$3,041,805	$3,154,810	$3,271,204	$3,391,090	$3,514,573	$3,641,760	$3,772,763	$3,907,695	$4,046,676	$4,189,827	$4,337,271
CAPITAL RESERVES	$0.25 Per SF Total (x NRA)	$44,280	$44,280	$44,280	$44,280	$44,280	$44,280	$44,280	$44,280	$44,280	$44,280	$44,280
CASH FLOW AFTER CAPITAL RESERVES		$2,997,525	$3,110,530	$3,226,924	$3,346,810	$3,470,293	$3,597,480	$3,728,483	$3,863,415	$4,002,396	$4,145,547	$1,643,700
		$0	$0	$0	$0	$0	$0	$0	$0	$0	$44,285,824 (Reversion)	
Annual Cash on Cash Return		8.10%	8.41%	8.72%	9.05%	9.38%	9.72%	10.08%	10.44%	10.82%	11.20%	

CASH FLOW ASSUMPTIONS

Number of Units	211	
NRA (sf)	177,120	
1998 Average Unit Rent/Month		$1,715
Rental Growth Rate		
Year 1 (Blended for Lag)		1.5%
Year 2		3.0%
Thereafter		3.0%
Vacancy & Collection Loss		4.0%
Miscellaneous Income (% of Gross)		0.0%
Expense Growth Rate		3.0%
Real Estate Tax Growth Rate		3.0%
Management Fee (% of Gross)		4.0%
Reserves for Unit Replacement		$300

VALUATION

Discount Rate	10.50%	
Terminal Capitalization Rate	9.50%	
Cost of Sale at Reversion	3.00%	
Value of Cash Flow	$20,727,852	
Value of the Reversion	$16,317,061	
Total Value	$37,044,913	
ESTIMATED MARKET VALUE		$37,000,000
Per Unit		$175,355
Overall Capitalization Rate (on NOI)		8.22%

Terminal Capitalization Rate Selection

A terminal overall capitalization rate was used to estimate the market value of the property at the end of the assumed investment holding period. The rate is applied to the eleventh year estimate of net operating income after subtracting unit replacements but before making deductions for capital reserves. We estimated an appropriate terminal rate based on indicated rates in today's market. A premium was added to today's rate to allow for the risk of unforeseen events or trends that might affect our estimate of net operating income during the holding period. including a possible deterioration in market conditions for the property. Investors typically add 50 to 100 basis points to the "going-in" rate to arrive at a terminal capitalization rate, according to Cushman & Wakefield's periodic investor surveys. Our selected rate of 9.50 percent falls within this range.

In our valuation, we endeavored to reflect the most likely actions of typical buyers and sellers in this market. We forecasted cash flows and discounted them and the future property value at the time of reversion to a present value at an internal rate of return (yield rate) currently required by investors for real property of a similar quality. The yield rate (internal rate of return or IRR) is the single rate that discounts all future equity benefits (cash flows and equity reversion) to an estimate of net present value.

The investors' internal rates of return cited in the Cushman & Wakefield survey range from 10.5 to 12.0 percent, with the low and high mean IRR's of 11.0 to 11.4 percent.

CUSHMAN & WAKEFIELD VALUATION ADVISORY SERVICES
FALL 1998 NATIONAL INVESTOR SURVEY FOR APARTMENTS

	GOING IN		TERMINAL		IRR		INCOME GROWTH		EXPENSE GROWTH		Project-ion Period
	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	
Mean	8.4%	8.8%	8.8%	9.2%	11.0%	11.4%	3.2%	3.6%	3.3%	3.6%	8
Range	7.5%	9.3%	8.0%	10.0%	10.5%	12.0%	2.5%	4.0%	2.5%	4.0%	10
No. of Responses: 8											

Taking into consideration the overall metropolitan Washington market, which is viewed as a strongly performing market, balanced against subject's newness, we believe an IRR at the low end of the survey range would be appropriate, or say 10.5 percent.

Ten-Year Cash Flow

The value indicated for the subject by the 10-year, cash flow forecast is $37,000,000, rounded.

Reconciliation within the Income Capitalization Approach

As Is Value Indicated by Direct Capitalization:	$36,000,000
As Is Value Indicated by Discounted Cash Flow Analysis:	$37,000,000

Income Capitalization Approach Conclusion

In spite of the PILOT program expense, the subject's operating expense ratio is lower than the range exhibited by the comparables. In addition, the subject's projected NOI per unit of $14,416 is also higher than the range of $7,913 to $12,217 per unit exhibited by the comparables analyzed in the *Sales Comparison Approach.* For all these reasons, we believe our projection of income and expenses is reasonable and no value is added due to the PILOT program.

The value estimates are similar and are good indicators of value. The direct capitalization analysis lends itself best to processing level annuities. The yield capitalization process better captures the income characteristics of irregular income streams such as would be produced by new properties requiring lease-up or existing properties where contract rent terms may vary considerably from tenant to tenant. The yield capitalization process tends to be somewhat influenced by inflationary forces while the direct capitalization technique is predicated on constant dollars. With near equal emphasis on both techniques, we estimate the value indication via the Income Approach at $37,000,000 or $175,355 per unit.

***Prospective Market Value Upon Stabilization,* on or about November 1, 2001,** *by the Income Capitalization Approach:*

$37,000,000

The approaches indicated the following values:

Cost Approach	$37,600,000
Sales Comparison Approach	$36,000,000
Income Capitalization Approach	$37,000,000

The reconciliation of value conclusion is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relation to their substantiation by market and other sources of data. the relativity and applicability of the respective techniques to the property type, and the purpose of the valuation.

The summation of value table above outlines the final indication of value by each of the approaches for the subject property.

The *Cost Approach* is usually a reliable indicator for new construction when new development is 100 percent feasible. In this case, the replacement cost new provides a good indicator of value on the fee simple market value at Market Rents. It was necessary to increase the value added due to the PILOT program as the terms of the program are not reflective of the market. It was estimated that the added present value of $777,116 for the PILOT program increased our value of $36,800,000, which yielded a total *prospective market value upon stabilization* of $

The land sales were from several jurisdictions, a necessity caused by a lack of land sales in the immediate area. Because investors typically rely on this technique only as a reasonableness test, rather than as a definitive value technique, we did not place primary emphasis on the *Cost Approach* in valuing the subject property.

The *Sales Comparison Approach* consists of the collection and analysis of data relevant to actual sales of properties deemed comparable to the subject property. Properties that have been sold are compared to the property under appraisal and adjustments to the sale prices are made based on differences between the subject property and the comparable sales. Adjustments are typically made for location, date of sale, building size, quality of construction and other relevant characteristics. The unit of comparison was the price per apartment unit and the effective gross income multiplier. The five sales used represent older complexes in the competitive market of the Washington metropolitan area and generally provide an indication of the lower end of the market on a price per unit basis. In this instance, the EGIM analysis provides a more accurate indication of the subject's potential and is inclusive of the impact of the PILOT program. It is also supportive of the value conclusion of the *Income Capitalization Approach.*

The *Income Capitalization Approach* converts anticipated future cash flows into a present value estimate. This method is based on the premise that the motivation for a property purchase is a function of the anticipation of future benefits to be gained from the investment. The potential purchaser, in essence, will trade the purchase price of the property for a projected income stream to be received in the future. Conversion of the anticipated cash flow into a value indication commonly occurs in the form of discounted cash flow analysis or application of a single

"Appraisal" means the appraisal report and opinion of value stated therein; or the letter opinion of value, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Appraisal.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary, which issued the Appraisal.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Appraisal.

This appraisal is made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.

2. The information contained in the Appraisal or upon which the Appraisal is based has been gathered from sources the Appraiser assumes to be reliable and accurate. Some of such information may have been provided by the owner of the Property. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters.

3. The opinion of value is only as of the date stated in the Appraisal. Changes since that date in external and market factors or in the Property itself can significantly affect property value.

4. The Appraisal is to be used in whole and not in part. No part of the Appraisal shall be used in conjunction with any other appraisal. Publication of the Appraisal or any portion thereof without the prior written consent of C&W is prohibited. Except as may be otherwise stated in the letter of engagement, the Appraisal may not be used by any person other than the party to whom it is addressed or for purposes other than that for which it was prepared. No part of the Appraisal shall be conveyed to the public through advertising, or used in any sales or promotional material without C&W's prior written consent. Reference to the Appraisal Institute or to the MAI designation is prohibited.

5. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.

6. The Appraisal assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Appraisal; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value estimate contained in the Appraisal is based.

7. The physical condition of the improvements considered by the Appraisal is based on visual inspection by the Appraiser or other person identified in the Appraisal. C&W assumes no responsibility for the soundness of structural members nor for the condition of mechanical equipment, plumbing or electrical components.

8. In preparing this appraisal, we have relied on the rent roll and the history of income and expenses furnished by the owner or the management company representing the owner. We have not reviewed actual tenant leases.

9. The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best estimates of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Appraisal, envisages for the future in terms of rental rates, expenses, supply and demand.

10. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials which may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

11. Unless otherwise stated in the Appraisal, compliance with the requirements of the Americans With Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the property. C&W recommends that an expert in this field be employed.

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8. We, Thomas J. Frye and Neal A. Eaton, MAI, made a personal inspection of the property that is the subject of this report, and Donald R. Morris, MAI, Manager, Valuation Advisory Services, has reviewed and approved the report, but did not inspect the property.
9. Thomas J. Frye and Neal A. Eaton, MAI, prepared this report.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Neal A. Eaton, MAI and Donald R. Morris, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.

Thomas J. Frye
Washington D.C. Valuation Advisory Services

Neal A. Eaton, MAI
Washington D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10206

Donald R. Morris, MAI
Director, Manager Washington D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10267

ENGAGEMENT LETTER

LAND SALES

IMPROVED SALES

DEMOGRAPHICS REPORT

INVESTOR SURVEY

APPRAISERS' QUALIFICATIONS

ENGAGEMENT LETTER

Cushman & Wakefield of Washington, D.C., Inc.
1801 K Street, NW
Suite 1100L
Washington, D.C. 20006
(202) 467-0600

CUSHMAN & WAKEFIELD®
Improving your place in the world.℠

Donald R. Morris, MAI
Director, Manager
Valuation Advisory Services

March 18, 1999

Mr. John Infantino
LCOR NEW OYSTER SCHOOL LLC
C/o LCOR, INC.
6701 Democracy Blvd, Suite 711
Bethesda, Maryland 20817

RE: Appraisal of Real Property
Proposed 200± unit Apartment Complex
29th & Calvert Streets, NW
Washington, D.C.
Letter of Engagement

Dear Mr. Infantino:

Thank you for requesting our proposal for appraisal services. This proposal letter with its attachments, will become, upon your acceptance, our letter of engagement to provide the services outlined herein.

The Parties to this Agreement: Cushman & Wakefield of Washington, D.C., Inc. ("we", "us" and "our") will prepare the appraisal. We understand that **LCOR New Oyster School LLC ("client", "you" and "your")** will be the client in this assignment but the reports will be addressed to:

PaineWebber
1285 Avenue of Americas
New York, New York 10019

The Property: The property (the "Property Appraised") consists of a proposed 200± apartment complex. The property is formerly known as the James F. Oyster School Project and is located at 29th & Calvert Streets, NW, Washington, D.C.

Interest Appraised and Date of Valuation: Our assignment is to estimate the *as is* market value, and the *prospective* market value upon completion and upon stabilization of the fee simple estate. The date of valuation will be the date of inspection, except that the prospective market value will be as of the date of stabilization of the completed apartment complex.

Intended Use of Appraisal and Limitations on Distribution of Report: The appraisal will be used for purposes of obtaining debt and equity financing, as described in "Offering Materials and Indemnification" below.

Complete Appraisal, Self-Contained Report: This will be a complete appraisal prepared in accordance with the *Uniform Standards of Professional Appraisal Practice* of The Appraisal Foundation. The results of the appraisal will be conveyed in a self-contained report of which three (3) copies will be provided.

Standard Assumptions and Limiting Conditions: We enclose for your review a copy of our standard Assumptions and Limiting Conditions which will be incorporated into the appraisal. The appraisal may also be subject to special assumptions and limiting conditions which become apparent during the course of the assignment. We will notify you as soon as we become aware of such special assumptions and limiting conditions. In the event of any conflict between this agreement and the Standard Assumptions and Limiting Conditions, this agreement will control. This Letter of Engagement constitutes consent, within the meaning of Section 4 of the Standard Assumptions and Limiting Conditions, to uses of the Report in compliance with the following three paragraphs.

Offering Materials and Indemnification: You may refer to or include (collectively, "Publish") the Report only in or in connection with a prospectus, official statement, offering memorandum, or other offering materials described herein (collectively, "Offering Materials") only in accordance with the following conditions. Offering Materials include a tax-exempt bond offering by the District of Columbia or its agency or instrumentality secured by the Appraised Property or by revenues therefrom (the "DC Bond Offering"). You or your designee may Publish the Report only if: (a) such Offering Materials include and refer to the entire Report; (b) such Offering Materials include with the initial reference to the Report a statement that the opinion of value stated therein is as of the date stated and is subject to the assumptions and limiting conditions stated in the Report ((a) and (b) constituting collectively the "Disclosure Covenants"); and (c) you provide us with five (5) business days' advance notice thereof, including the draft offering circular and the proposed text of the reference to the Report. In the event, within three (3) business days following delivery to us of the notice described in (c), we object to such publication, you will within two (2) business days consult with our authorized representative regarding such objections. If following such consultation you determine in your reasonable discretion that such publication would not breach the terms of this Letter of Engagement you may proceed with such publication; provided, however, that such determination shall not bind us or limit our remedies for a breach of this Letter of Engagement.

In connection with Offering Materials other than for the DC Bond Offering, you may Publish the Report in Offering Materials for delivery to an Institutional Investor (defined below) if you (i) provide us with an Indemnification Agreement in the form attached hereto executed by you and LCOR Operating Company LLC and LCOR Property Company LLC, as Indemnitors thereunder and, at the time such Agreement is provided there has been no material adverse change in said indemnitors' net worth from the date of this engagement letter (herein "Indemnity Conditions") (ii) comply with the Disclosure Convenants; and (iii) provide us with thirty (30) days' advance written notice of such publication, including the draft offering circular and the proposed text of the reference to the Report. If within ten (10) days following delivery to us of the notice described in (iii), we object in writing to such publication, you will within five (5) business days consult with our authorized representative regarding such objections. If following such consultation you determine in your reasonable discretion that such publication would not breach the terms of this Letter of Engagement you may proceed with such publication; provided, however, that such determination shall not bind us or limit our remedies for a breach of this Letter of Engagement. For purposes of this Letter of Engagement an "Institutional Investor" means a corporation, partnership, limited liability company, pension trust or other institution regularly engaged in the business of banking, investment banking, investment management, or real estate asset management.

In connection with Offering Materials other than for the DC Bond Offering or for delivery to an Institutional Investor, you may not Publish the Report without our advance written consent, which consent will not be unreasonably withheld or delayed. In any event, failure to conform to the Disclosure Covenants in such Offering Materials and comply the Indemnity Conditions for such Offering Material shall constitute reasonable grounds for withholding such consent.

Responses to Review Comments: We will respond to appropriate reviews conducted by executives of the client or its affiliates or by independent reviewer appraisers whom you employ. We are not obligated to respond to reviews from any other recipients of the report or the offering memorandum.

Information Needed to Complete the Appraisal: We respectfully request that you provide us with the following information, to the extent such information is available:

- Most recent tax statements
- Recent history noting any changes in legal ownership and current asking/contract price
- Property survey
- Engineering or environmental reports
- Building Plans and Specifications

Appraisal Fee and Schedule of Payment: The fee for this assignment shall be $7,500 payable at the time of delivery of each report in two phases as follows: Phase I will entail a market study with a fee of $3,500. Phase II will include a complete appraisal, inclusive of the market study. The fee for Phase II will be $4,000.

Disinterested Opinion of Value: It is understood that payment of the appraisal fee is not contingent on the appraised value, a loan closing, or any other prearranged condition.

Authorizing the Assignment and Report Delivery: We will make our best effort to complete Phase I and Phase II of the assignment within 30 days of the date of this letter. Please understand that unforeseen delays may require additional time.

Timeliness of Delivery: We will make every effort to deliver the report within the time period agreed upon. However, any delays in receiving the information requested could affect our ability to deliver on time.

Responding to Subpoenas or Other Judicial Requests to Produce Documents: If we receive a subpoena or other judicial request to produce documents or a request to provide testimony involving this assignment in connection with a lawsuit or proceeding, we will notify you immediately so that you can take action to challenge that request as you see fit. However, if we are not a party to these proceedings, you agree to compensate us for the reasonable professional time and reimburse us for the actual out of pocket expense which we incur in responding to this request, including reasonable attorneys' fees, if any, as they are incurred. We will be compensated at the hourly rate of $150/hour for the personnel responding to the subpoena or request for testimony.

Payment of Legal Fees to Collect Past Due Accounts: Our fees and expenses shall be due as agreed in this letter. In any action to enforce or interpret this agreement, the substantially prevailing party is entitled to recover reasonable attorney's fees and costs from the non-prevailing party. If it becomes necessary to place collection in the hands of a collection agent and/or an attorney (whether or not a legal action is filed) you agree to pay all reasonable legal fees and expenses incurred by us in connection with the collection or attempted collection of the agreed fee and travel expenses.

This proposal is submitted based on our current schedule of commitments. It may be necessary to alter the anticipated completion date if the assignment is not authorized promptly.

Thank you for calling on us to render these services and we look forward to working with you.

Sincerely,

CUSHMAN & WAKEFIELD OF WASHINGTON, D.C., INC.

By: ______________________
Donald R. Morris, MAI
Director/Manager
Valuation Advisory Services

AGREED AND ACCEPTED FOR: LCOR NEW OYSTER SCHOOL, LLC

LCOR New Oyster School LLC
By: LCOR Operating Company LLC, Managing Member
By: LCOR Public/Private LLC, Managing Member

By: ______________________
R. William Hard, Executive Vice President

By: ______________________
John Infantino, Vice President

Copy: Freda Wang, PaineWebber

ASSUMPTIONS AND LIMITING CONDITIONS

Appraisal means the appraisal report and opinion of value stated therein; or the letter opinion of value, to which these Assumptions and Limiting Conditions are annexed.

Property means the subject of the Appraisal.

C&W means Cushman & Wakefield of Washington, D.C. Inc. or an affiliate which issued the Appraisal.

Appraiser(s) means the employee(s) of C&W who prepared and signed the Appraisal.

The Appraisal has been made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.

2. The information contained in the Appraisal or upon which the Appraisal is based has been gathered from sources the Appraiser assumes to be reliable and accurate. Some of such information may have been provided reasonably by the owner of the Property or its affiliates ("owner provided information"). Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such owner provided information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters included therein.

3. The opinion of value is only as of the date stated in the Appraisal. Changes after those dates in external and market factors or in the Property itself can significantly affect property value.

4. The Appraisal is to be used in whole and not in part. No part of the Appraisal shall be used in conjunction with any other appraisal. Publication of the Appraisal or any portion thereof without the prior written consent of C&W except as otherwise stated in the letter of engagement is prohibited. The Appraisal may not be used by any person other than the party to whom it is addressed or for purposes other than that for which it was prepared, except as otherwise stated in the letter of engagement. No part of the Appraisal shall be conveyed to the public through advertising, or used in any sales or promotional material without C&W's prior written consent. Reference to the Appraisal Institute or to the MAI designation, other than in describing the Appraiser is prohibited.

5. Except as may be otherwise stated in the letter of engagement or required by law, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.

6. The Appraisal assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Appraisal; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value estimate contained in the Appraisal is based.

7. The physical condition of the improvements considered by the Appraisal is based on visual inspection by the Appraiser or other person identified in the Appraisal. C&W assumes no responsibility for the soundness of structural members nor for the condition of mechanical equipment, plumbing or electrical components.

8. The forecasted potential gross income referred to in the Appraisal may be based on lease summaries provided by the owner or third parties. The Appraiser assumes no responsibility for the authenticity or completeness of lease information constituting owner provided information. To the extent information from the market place is used, the appraiser will take all reasonable efforts to ensure the reasonableness of said information. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

9. The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best estimates of current market expectations of future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Appraisal, envisages for the future in terms of rental rates, expenses, supply and demand.

10. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials which may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

11. Unless otherwise stated in the Appraisal, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed.

As a condition imposed by Cushman & Wakefield, Inc. or one of its subsidiaries (collectively, "C&W") to consent to the reference to and/or inclusion of the appraisal report(s). described in the annexed Exhibit "A" (the "Report") in the materials also described in Exhibit "A", the undersigned Indemnitor(s) ("Indemnitor") agrees to the provisions of this Indemnity Agreement.

1. C&W's consent is subject to and conditioned upon compliance with the letter of engagement to prepare the Report. ^

2. Indemnitor shall defend, indemnify and hold harmless C&W, its affiliates and their respective officers, directors, employees and agents from and against all damages, expenses, claims, demands and costs, including reasonable legal fees incurred in investigating and defending any claim, arising from or in any way connected to the aforesaid reference to C&W and/or the Report or inclusion of the Report in said Materials. The foregoing indemnity does not extend to: adjudicated liability of C&W, as determined in a final judgement for failure to comply with sound appraisal practices or fraud or gross negligence, or willful misconduct. The foregoing indemnity shall not apply to a direct claim by LCOR New Oyster School, LLC against C&W for breach of the engagement letter to prepare the Report.

3. If any claims of indemnity is to be made under this agreement, C&W shall promptly notify any one of the parties comprising the Indemnitor in writing of the claim ("the third party claim") of a third party to which such claim of indemnity relates. If Indemnitor elects within thirty (30) days following receipt of such notice to assume the defense of Any of the parties indemnified hereunder and provide at Indemnitor's expense representation of such parties through counsel of the Indemnitor's choice subject to approval of such counsel by the indemnified parties included (collectively, the Assumption"), the right of C&W to recover attorney's fees and costs with respect to such third party claim shall be limited to those reasonable attorney's fees and costs incurred prior to the date of such Assumption. C&W will not unreasonably withhold or delay approval such counsel. The foregoing right to provide counsel shall not apply if the indemnified parties do not approve counsel offered by Indemnitor unless such approval is unreasonably withheld or delayed, or if the Indemnitor fails to continue to provide defense pursuant to such Assumption or a conflict arises which requires separate representation. Notwithstanding anything to the contrary, C&W's failure to notify any Indemnitor as provided in this Section 3 shall not affect or impair the indemnity obligation hereunder except to the extent that such failure has created a material prejudice to the defense of such claim and except to the extent of attorney's fees and costs incurred by the indemnified parties during the period of such failure.

   Notice to one party comprising the Indemnitor shall constitute notice to all parties comprising the Indemnitor.

4. All notices under this Agreement shall be in writing and shall be deemed to have been ^ given when sent by certified mail, return postage receipt requested, postage prepaid, or when personally delivered.

5. The liability of the Indemnitor hereunder, if more than one party, shall be joint and several. In no event will LCOR Public/Private LLC or PAMI Public Private I, Inc. or PAMI Public/Private II, Inc. have any liability under the Agreement except to the extent of their interest in Indemnitors.

6. *Any provision of this Agreement which is prohibited or unenforceable shall not affect or invalidate the remaining provisions hereof which shall continue in full force and effect*

This Agreement shall inure to the benefit of C&W, its affiliates and the other parties indemnified, their respective successors and assigns, and be binding upon Indemnitor and its successors and assigns.

Indemnitor(s):

*Date:*_______________

LCOR New Oyster School LLC
By: LCOR Operating Company LLC, Managing Member
By: LCOR Public/Private L.L.C., Managing Member

*By:*______________________________
R. William Hard, Executive Vice President

*By:*______________________________
John Infantino, Vice President

LCOR Operating Company LLC
By: LCOR Public/Private L.L.C., Managing Member

*By:*______________________________
R. William Hard, Executive Vice President

*By:*______________________________
John Infantino, Vice President

LCOR Property Company LLC
By: LCOR Public/Private L.L.C., Managing Member

*By:*______________________________
R. William Hard, Executive Vice President

*By:*______________________________
John Infantino, Vice President

Exhibit "A"
to
Indemnity Agreement given by
LCOR New Oyster School LLC, LCOR Operating Company LLC and LCOR Property Company LLC ("Indemnitor")
in favor of
C&W, as defined therein and its affiliates

Appraisal, as of March __, 1999 of property described as follows: Proposed 200± unit Apartment Complex, 29th & Calvert Streets, NW, Washington, D.C. issued by Cushman & Wakefield of Washington, D.C., Inc.

To be referenced and/or printed or included in the following material:

____

____

____

____

LAND SALES

Location Data

Location:	233 Telegraph Road	
City:	Alexandria	
County:		
State/Zip:	Virginia	
Assessor's Parcel No(s):	LOTS 501.1 AND 501.2	
Atlas Reference:	N/A	

Physical Data

Type:	Apartment	
Land Area:	Gross	Usable
Acres:	7.28	7.28
Square Feet:	317,117	317,117
Topography:	Generally Level	
Shape:	Irregular	
Utilities:	Available	
Zoning:	CDD3	
Allowable Building Area:	458	
Floor Area Ratio:	N/A	
No. of units:	N/A	
Frontage:	N/A	
Max FAR:	N/A	

Sale Data

Transaction Type:	Sale
Date of Transaction:	01/97
Marketing Time:	N/A
Grantor:	Lenmar International Properties, LP
Grantee:	Avalon Properties, Inc.
Document No.:	DEED BOOK 1592, PAGE 108 Rec. Date:01/15/97
Sale Price:	$4,300,000
Financing:	Cash to Seller
Cash Equivalent Price:	$4,300,000
Onsite/Offsite Costs:	N/A
Adjusted Sale Price:	$4,300,000
Verification:	

Analysis

Use At Sale:	N/A
Proposed Use or Development:	N/A
Price Per Acre:	$590,659
Price Per Square Foot of Land Area:	$13.56
Price Per Unit:	N/A
Price Per Square Foot of Building:	$9388.65

Comments

Parcel to be assembled with adjoining 379,788 square foot site for the construction of a 458-unit high rise apartment building. Settlement was contingent upon the buyer receiving approval for the development plan.

Location Data

Location:	1320 N. Veitch Steet	
City:	Arlington	
County:	Arlington	
State/Zip:	Virginia	22201
Assessor's Parcel No(s):	18-003-35,37-40	
Atlas Reference:	17-B3	

Physical Data

Type:	Multi-Family Site	
Land Area:	Gross	Usable
Acres:	1.90	1.90
Square Feet:	82,662	82,662
Topography:	Moderate Slope	
Shape:	Irregular	
Utilities:	All Available	
Zoning:	RAH3.2	
Allowable Building Area:	595,595	
Floor Area Ratio:	7.21	
No. of units:	564	
Frontage:	N/A	
Max FAR:	N/A	

Sale Data

Transaction Type:	Sale
Date of Transaction:	02/97
Marketing Time:	18 months
Grantor:	Courtlands Associates LP (Eakon/Youngentob)
Grantee:	Courthouse Hill LLC (Bush Construction)
Document No.:	2816-0941
Sale Price:	$7,000,000
Financing:	Cash to Seller
Cash Equivalent Price:	$7,000,000
Onsite/Offsite Costs:	N/A
Adjusted Sale Price:	$7,000,000
Verification:	Seller/Buyer

Analysis

Use At Sale:	Vacant
Proposed Use or Development:	High Rise Apartments
Price Per Acre:	$3,688,756
Price Per Square Foot of Land Area:	$84.68
Price Per Unit:	$12,411
Price Per Square Foot of Building:	$11.75

Comments

This is an arm's length sale of a site near the Courthouse Metro. It was part of a larger residential developmen with the indicated FAR allocated to this site.

Location Data

Location:	3821 Wilson Boulevard	
City:	Arlington	
County:	Arlington	
State/Zip:	Virginia	22201
Assessor's Parcel No(s):	14-41-2,3,4,9	
Atlas Reference:	16-K4	

Physical Data

Type:	Multi-Family Site	
Land Area:	Gross	Usable
Acres:	0.96	0.96
Square Feet:	41,971	41,971
Topography:	Level, At Street Grade	
Shape:	Rectangular	
Utilities:	All Available	
Zoning:	RC	
Allowable Building Area:	99,831	
Floor Area Ratio:	2.38	
No. of units:	150	
Frontage:	N/A	
Max FAR:	N/A	

Sale Data

Transaction Type:	Sale
Date of Transaction:	08/97
Marketing Time:	N/A
Grantor:	Preston Caruthers & Goodin H. Taylor
Grantee:	Marriott Senior Living Services, Inc.
Document No.:	2844/1181
Sale Price:	$2,600,000
Financing:	Cash to Seller
Cash Equivalent Price:	$2,600,000
Onsite/Offsite Costs:	N/A
Adjusted Sale Price:	$2,600,000
Verification:	Buyer

Analysis

Use At Sale:	N/A
Proposed Use or Development:	Assited Living Facil
Price Per Acre:	$2,698,434
Price Per Square Foot of Land Area:	$61.95
Price Per Unit:	$17,333
Price Per Square Foot of Building:	$26.04

Comments

Marriott acquired this property to build a 9-story assited living facility in the Virgina Square neighborhood.

Location Data

Location:	N. Fairfax Drive and N. Monroe Street
City:	Arlington
County:	Arlinton County
State/Zip:	Virginia 22201
Assessor's Parcel No(s):	14-36, 6-13,18-23, 30-33
Atlas Reference:	16-K4

Physical Data

Type:	Multi-Family Site	
Land Area:	Gross	Usable
Acres:	1.22	1.22
Square Feet:	53,000	53,000
Topography:	Level, At Street Grade	
Shape:	Rectangular	
Utilities:	All Available	
Zoning:	RAH3.2	
Allowable Building Area:	256,852	
Floor Area Ratio:	4.85	
No. of units:	232	
Frontage:	N/A	
Max FAR:	N/A	

Sale Data

Transaction Type:	Sale
Date of Transaction:	09/96
Marketing Time:	12 months
Grantor:	Virgina Square First Associates
Grantee:	Sidney E. Albrittain, Trustee, c/o Ditmar Construc
Document No.:	DB 2796, PAGE 047
Sale Price:	$3,100,000
Financing:	Cash to Seller
Cash Equivalent Price:	$3,100,000
Onsite/Offsite Costs:	N/A
Adjusted Sale Price:	$3,100,000
Verification:	Seller

Analysis

Use At Sale:	Parking Lot
Proposed Use or Development:	High Rise Apartments
Price Per Acre:	$2,547,849
Price Per Square Foot of Land Area:	$58.49
Price Per Unit:	$13,362
Price Per Square Foot of Building:	$12.07

Comments

An arm's length transaction of a site located at the Virgina Square Metro Station across from the FDIC campus
The property had site plan approval at the time of sale.
The county records showed a land area of 61,035 square feet while the buyer reports 53,000 square feet with a FAR.

Location Data

Location:	South Eads Street	
City:	Arlington	
County:	Arlington	
State/Zip:	Virginia	
Assessor's Parcel No(s):	35-1-166	
Atlas Reference:	N/A	

Physical Data

Type:	Multi-Family Site	
Land Area:	Gross	Usable
Acres:	1.54	1.54
Square Feet:	67,106	67,106
Topography:	Level, At Street Grade	
Shape:	Rectangular	
Utilities:	All Available	
Zoning:	RAH3.2	
Allowable Building Area:	322,108	
Floor Area Ratio:	4.80	
No. of units:	309	
Frontage:	N/A	
Max FAR:	N/A	

Sale Data

Transaction Type:	Contract
Date of Transaction:	/97
Marketing Time:	N/A
Grantor:	Joseph Della Rata
Grantee:	Confidentail
Document No.:	N/A
Sale Price:	$5,500,000
Financing:	Cash to Seller
Cash Equivalent Price:	$5,500,000
Onsite/Offsite Costs:	N/A
Adjusted Sale Price:	$5,500,000
Verification:	Selller

Analysis

Use At Sale:	Vancant Land
Proposed Use or Development:	High Rise Apartments
Price Per Acre:	$3,570,172
Price Per Square Foot of Land Area:	$81.96
Price Per Unit:	$17,799
Price Per Square Foot of Building:	$17.08

Comments

As of September 1997, this site is under contract at a well capitalized developer. There is money at risk, with the closing schedule to be in January 1998. The buyer plans to develop the site with multi-family units. The existing site plan filed with the county allows for 309 units, with a maximum permited FAR of 4.8 for residential and 3.8 for hotel use.

IMPROVED SALES

Location Data

Property Name:	**Buchanan House**
Location:	2301 South Jefferson Davis Highway
City:	Arlington
County:	Arlington
State/Zip:	Virginia
Assessor's Parcel No(s):	N/A
Atlas Reference:	85-04

Physical Data

Type:	
Land Area:	3.50000 Acres
Net Rentable Area	N/A
Number of Units:	442
Average Unit Size:	N/A
Year Built:	1972
# of Stories:	15
Condition:	Average
Exterior Walls:	Brick Veneer
Complex Amenities:	Pool, sauna, clubhouse, secured access, central laundry, volleyball

Sale Data

Transaction Type:	Sale
Date of Transaction:	01/99
Marketing Time:	N/A
Grantor:	N/A
Grantee:	Charles E. Smith Companies
Document No.:	N/A Rec. Date:01/05/99
Sale Price:	$60,000,000
Financing:	Cash to Seller
Cash Equivalent Price:	$60,000,000
Required Capital Cost:	$0
Adjusted Sale Price:	$60,000,000
Verification:	

Unit Mix

Unit Type	No.	Percentage	Size (SF)
Efficiency	52	11	
1 BR, 1 BA	13	2	
1 BR, 1 BA	156	35	
2 BR, 2 BA	104	23	
2 BR, 2 BA	52	11	
3 BR, 2 BA	52	11	
3 BR, 2 BA Den	13	2	
Totals	442	**100**	N/A

Financial Data

Assumptions & Forecast:	N/A	
Occupancy at Sale:	99%	
Existing or Pro Forma Income:	N/A	
	TOTAL	**$ Unit**
Potential Gross Income:	N/A	N/A
Vacancy and Credit Loss:	N/A	N/A
Effective Gross Income:	N/A	N/A
Expenses:	N/A	N/A
Net Operating Income:	$5,531,336	N/A

Analysis

Value Indicators:	
Overall Capitalization Rate (OAR):	9.22 %
Projected IRR:	N/A %
Effective Gross Multiplier (EGIM):	N/A
Operating Expense Ratio (OER):	N/A %
Price Per Square Foot:	N/A
Price Per Unit:	$135,747

Comments

This property is located in the Crystal City neighborhood of Arlington. Rents range from $850 to $1,900. More th 90% of the kitchens and bathrooms have been renovated. The buyer intends to spend an additional $5 million o renovations. According to a representative of Charles E. Smith, there are some structural concerns which must t addressed at the building. There are approximately 70,000 sf of retail space which will be upraded, as well.

Location Data

Property Name:	**Parc Vista**
Location:	801 Fifteenth Street South
City:	Arlington
County:	Arlington
State/Zip:	Virginia 22202
Assessor's Parcel No(s):	35-005-022
Atlas Reference:	17-F8

Physical Data

Type:	High-Rise
Land Area:	16.00000 Acres
Net Rentable Area	230,230 SF
Number of Units:	298
Average Unit Size:	773 SF
Year Built:	1989
# of Stories:	N/A
Condition:	Good
Exterior Walls:	Cement Block
Complex Amenities:	

Sale Data

Transaction Type:	Sale
Date of Transaction:	04/98
Marketing Time:	N/A
Grantor:	First Pentagon City Apartments
Grantee:	Smith Property Holdings One (LP)
Document No.:	2885-1745 Rec. Date:04/01/98
Sale Price:	$39,200,000
Financing:	Cash to Seller
Cash Equivalent Price:	$39,200,000
Required Capital Cost:	$0
Adjusted Sale Price:	$39,200,000
Verification:	

Unit Mix

Unit Type	No.	Percentage	Size (SF)
Studio	36	12	
1 BR, 1 BA	141	47	
1 BR, 1 BA Den	52	17	
2 BR, 2 BA	69	23	
Totals	298	**100**	N/A

Financial Data

Assumptions & Forecast:	N/A	
Occupancy at Sale:	100%	
Existing or Pro Forma Income:	N/A	
	TOTAL	**$ Unit**
Potential Gross Income:	$4,297,000	$14,419
Vacancy and Credit Loss:	N/A	N/A
Effective Gross Income:	$4,297,000	$14,419
Expenses:	$897,000	$3,010
Net Operating Income:	$3,400,000	$11,409

Analysis

Value Indicators:	
Overall Capitalization Rate (OAR):	8.67 %
Projected IRR:	N/A %
Effective Gross Multiplier (EGIM):	9.12
Operating Expense Ratio (OER):	20.88 %
Price Per Square Foot:	$170.26
Price Per Unit:	$131,544

Comments

Location Data

Property Name:	**The Cascades**
Location:	1550 North Clarendon Boulevard
City:	Arlington
County:	Arlington County
State/Zip:	Virginia 22209
Assessor's Parcel No(s):	017-006-001 THRU 007
Atlas Reference:	17-D2

Physical Data

Type:	High-Rise
Land Area:	1.26700 Acres
Net Rentable Area	179,758 SF
Number of Units:	184
Average Unit Size:	977 SF
Year Built:	1986
# of Stories:	14
Condition:	Good
Exterior Walls:	Cement Block
Complex Amenities:	Controlled access, 24-hour concierge, pool, spa, fitness center, party room

Sale Data

Transaction Type:	Sale
Date of Transaction:	12/97
Marketing Time:	N/A
Grantor:	JMB Institutional Apartment Partnership
Grantee:	KIP Properties
Document No.:	2867-0283 Rec. Date:12/30/97
Sale Price:	$20,000,000
Financing:	
Cash Equivalent Price:	$20,000,000
Required Capital Cost:	$0
Adjusted Sale Price:	$20,000,000
Verification:	

Unit Mix

Unit Type	No.	Percentage	Size (SF)
1 BR, 1 BA	131	71	
1 BR, 1 BA Den	13	7	
2 BR, 2 BA	40	21	
Totals	184	**100**	N/A

Financial Data

Assumptions & Forecast:	N/A	
Occupancy at Sale:	N/A	
Existing or Pro Forma Income:	N/A	
	TOTAL	**$ Unit**
Potential Gross Income:	N/A	N/A
Vacancy and Credit Loss:	N/A	N/A
Effective Gross Income:	N/A	N/A
Expenses:	N/A	N/A
Net Operating Income:	$1,455,622	$7,911

Analysis

Value Indicators:	
Overall Capitalization Rate (OAR):	7.28 %
Projected IRR:	N/A %
Effective Gross Multiplier (EGIM):	N/A
Operating Expense Ratio (OER):	N/A %
Price Per Square Foot:	$111.26
Price Per Unit:	$108,696

Comments

This is the sale of a luxury property just west of Washington, DC in Rosslyn, Arlington County, Virginia. The property has easy access and is within walking distance to Metro. The property has been renamed "Oakwood".

Location Data

Property Name:	**Lincoln Towers**
Location:	850 North Randolph Street
City:	Arlington
County:	Arlington
State/Zip:	Virginia 22203
Assessor's Parcel No(s):	14-047-019, 020
Atlas Reference:	16-J4

Physical Data

Type:	High-Rise
Land Area:	2.07700 Acres
Net Rentable Area	645,000 SF
Number of Units:	714
Average Unit Size:	903 SF
Year Built:	1992
# of Stories:	22
Condition:	Good
Exterior Walls:	Brick Veneer
Complex Amenities:	Meeting space, fitness center, outdoor swimming pool, barbecue grill area, sundeck

Sale Data

Transaction Type:	Sale
Date of Transaction:	10/97
Marketing Time:	5 months
Grantor:	The Prudential Insurance Company of America
Grantee:	Smith Property Holdings Lincoln
Document No.:	BOOK 2853 PAGE 1079
Sale Price:	$88,500,000
Financing:	Cash to Seller
Cash Equivalent Price:	$88,500,000
Required Capital Cost:	$0
Adjusted Sale Price:	$88,500,000
Verification:	Broker

Unit Mix

Unit Type	No.	Percentage	Size (SF)
1 BR, 1 BA	168	23	662
1 BR, 1 BA	42	5	698
1 BR, 1 BA	84	11	710
1 BR, 1 BA	42	5	762
1 BR, 1 BA	126	17	808
2 BR, 2 BA	42	5	1147
2 BR, 2 BA	42	5	1157
2 BR, 2 BA	42	5	1164
2 BR, 2 BA	42	5	1172
2 BR, 2 BA	42	5	1215
2 BR, 2 BA	42	5	1116
Totals	714	**100**	626,766

Financial Data

Assumptions & Forecast:	Broker	
Occupancy at Sale:	93%	
Existing or Pro Forma Income:	Pro Forma	
	TOTAL	**$ Unit**
Potential Gross Income:	$12,655,000	$17,724
Vacancy and Credit Loss:	$822,575	$1,152
Effective Gross Income:	$11,832,425	$16,572
Expenses:	$4,300,000	$6,022
Net Operating Income:	$7,532,425	$10,550

Analysis

Value Indicators:	
Overall Capitalization Rate (OAR):	8.51 %
Projected IRR:	N/A %
Effective Gross Multiplier (EGIM):	7.48
Operating Expense Ratio (OER):	36.34 %
Price Per Square Foot:	$137.21
Price Per Unit:	$123,950

Comments

Rents for one bedroom, one bath units range from $1,005 to $1,250 per month for 662 to 808 square foot units. rents for two bedroom two bath units range from $1,400 to $1,710 per month for 1,106 to 1,215 square foot units Amenities include a fitness room, pool. recreation room, spa, and security entrance. The buyer projected the firs year initial yield to be 8.81 percent. There is 12,215 square feet of retail space that is 76% occupied with rents ir the low $20's.

Location Data

Property Name:	**St. Johns Woods**
Location:	11555 Olde Tiverton Circle
City:	Reston
County:	Fairfax
State/Zip:	Virginia
Assessor's Parcel No(s):	N/A
Atlas Reference:	N/A

Physical Data

Type:	Garden
Land Area:	14.33000 Acres
Net Rentable Area	233,530 SF
Number of Units:	250
Average Unit Size:	934 SF
Year Built:	1990
# of Stories:	3
Condition:	Good
Exterior Walls:	Brick Veneer
Complex Amenities:	Pools, tennis courts

Sale Data

Transaction Type:	Contract
Date of Transaction:	11/98
Marketing Time:	N/A
Grantor:	St. Johns Woods Associates
Grantee:	J.P. Morgan Strategic Property Fund
Document No.:	N/A
Sale Price:	$25,405,000
Financing:	Cash to Seller
Cash Equivalent Price:	$25,405,000
Required Capital Cost:	$0
Adjusted Sale Price:	$25,405,000
Verification:	

Unit Mix

Unit Type	No.	Percentage	Size (SF)
1 BR, 1 BA	54	21	
1 BR, 1 BA Den	74	29	
2 BR, 2 BA	98	39	
3 BR, 2 BA	24	9	
Totals	250	**100**	N/A

Financial Data

Assumptions & Forecast:	N/A	
Occupancy at Sale:	N/A	
Existing or Pro Forma Income:	Existing	
	TOTAL	**$ Unit**
Potential Gross Income:	$3,072,050	$12,288
Vacancy and Credit Loss:	N/A	N/A
Effective Gross Income:	$3,072,050	$12,288
Expenses:	$1,075,218	$4,300
Net Operating Income:	$1,996,832	$7,987

Analysis

Value Indicators:	
Overall Capitalization Rate (OAR):	7.86 %
Projected IRR:	N/A %
Effective Gross Multiplier (EGIM):	8.27
Operating Expense Ratio (OER):	35.00 %
Price Per Square Foot:	$108.79
Price Per Unit:	$101,620

Comments

This is a current contract of sale fro a 250 unit complex located near the town center of Reston. The average ren is $1,149 per month. The owner provides water and sewer, with the tenants paying all other utilities.

DEMOGRAPHIC REPORT

CUSTOM SUMMARY REPORT
(POP 80-03, HH 80-03, INC 80-03)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
POP_80: TOTAL	37,134	286,073	623,507
POP_90: TOTAL	37,018	294,891	624,954
POP_98: TOTAL (EST.)	32,800	267,570	578,304
POP_03: TOTAL (PROJ.)	30,003	249,463	549,052
HH_80: TOTAL	20,386	128,699	267,041
HH_90: TOTAL	20,714	132,964	273,539
HH_98: TOTAL (EST.)	18,912	122,994	258,552
HH_03: TOTAL (PROJ.)	17,594	115,895	248,165
INC_80: PER CAPITA (EST.)	$15,938	$10,941	$11,031
INC_90: PER CAPITA	$36,094	$24,612	$24,339
INC_98: PER CAPITA (EST.	$57,885	$38,902	$36,666
INC_03: PER CAPITA (PROJ	$76,576	$51,087	$46,766
HH_90_BY INCOME_89: MEDIAN	$41,539	$34,435	$38,135
HH_98_BY INCOME: MEDIAN	$63,667	$52,402	$54,961
HH_03_BY INCOME: MEDIAN	$82,051	$67,788	$67,949
HH_80_BY INCOME_79: AVERAGE	$29,033	$24,321	$25,755
HH_90_BY INCOME_89: AVERAGE	$63,995	$52,854	$54,206
HH_98_BY INCOME: AVERAGE	$97,392	$80,867	$79,359
HH_03_BY INCOME: AVERAGE	$124,806	$103,781	$99,357
1990 MEDIAN HOUSE VALUE	$444,297	$242,571	$209,266
1998 MEDIAN HOUSE VALUE	$500,000	$316,523	$264,088
2003 MEDIAN HOUSE VALUE	$500,001	$377,931	$308,014
HOUSING90: MEDIAN RENT	$622	$556	$566

CUSTOM SUMMARY REPORT
(POP FACTS: FULL DATA REPORT)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
POPULATION			
2003 PROJECTION	30,003	249,463	549,052
1998 ESTIMATE	32,800	267,570	578,304
1990 CENSUS	37,018	294,891	624,954
1980 CENSUS	37,134	286,073	623,507
GROWTH 1980 - 1990	-0.31%	3.08%	0.23%
HOUSEHOLDS			
2003 PROJECTION	17,594	115,895	248,165
1998 ESTIMATE	18,912	122,994	258,552
1990 CENSUS	20,714	132,964	273,539
1980 CENSUS	20,386	128,699	267,041
GROWTH 1980 - 1990	1.61%	3.31%	2.43%
OCCUPIED UNITS	20,714	132,964	273,539
OWNER OCCUPIED	36.30%	37.46%	43.53%
RENTER OCCUPIED	63.70%	62.54%	56.47%
1990 AVERAGE PERSONS PER HH	1.76	2.03	2.15
1998 EST. HOUSEHOLDS BY INCOME	18,912	122,994	258,552
$150,000 OR MORE	16.97%	12.78%	12.12%
$100,000 TO $149,999	11.61%	10.30%	11.22%
$ 75,000 TO $ 99,999	12.36%	11.14%	12.00%
$ 50,000 TO $ 74,999	19.98%	17.45%	18.28%
$ 35,000 TO $ 49,999	15.68%	14.21%	14.34%
$ 25,000 TO $ 34,999	8.93%	10.33%	10.33%
$ 15,000 TO $ 24,999	7.20%	9.24%	8.89%
$ 5,000 TO $ 15,000	5.56%	10.59%	9.44%
UNDER $ 5,000	1.71%	3.96%	3.38%
1998 EST. AVERAGE HOUSEHOLD INCOME	$97,392	$80,867	$79,359
1998 EST. MEDIAN HOUSEHOLD INCOME	$63,667	$52,402	$54,961
1998 EST. PER CAPITA INCOME	$57,885	$38,902	$36,666
1998 ESTIMATED POPULATION BY SEX	32,800	267,570	578,304
MALE	47.62%	48.26%	47.73%
FEMALE	52.38%	51.74%	52.27%
MARITAL STATUS	34,106	259,969	541,427
SINGLE MALE	25.62%	25.41%	22.49%
SINGLE FEMALE	27.40%	25.63%	22.43%
MARRIED	30.13%	28.43%	33.95%

CUSTOM SUMMARY REPORT
(POP FACTS: FULL DATA REPORT)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
PREVIOUSLY MARRIED MALE	5.69%	7.31%	7.14%
PREVIOUSLY MARRIED FEMALE	11.17%	13.22%	14.00%
HOUSEHOLDS WITH CHILDREN	2,193	22,856	55,938
MARRIED COUPLE FAMILY	69.64%	52.85%	56.47%
OTHER FAMILY-MALE HEAD	6.10%	7.78%	6.94%
OTHER FAMILY-FEMALE HEAD	22.36%	37.70%	35.23%
NON FAMILY	1.90%	1.66%	1.36%
1998 ESTIMATED POPULATION BY AGE	32,800	267,570	578,304
UNDER 5 YEARS	2.95%	4.47%	4.89%
5 TO 9 YEARS	3.75%	4.95%	5.36%
10 TO 14 YEARS	2.68%	4.09%	4.65%
15 TO 17 YEARS	1.14%	2.17%	2.43%
18 TO 20 YEARS	0.98%	5.43%	4.06%
21 TO 24 YEARS	4.44%	5.96%	5.27%
25 TO 29 YEARS	10.76%	10.12%	9.38%
30 TO 34 YEARS	12.00%	9.76%	8.99%
35 TO 39 YEARS	11.73%	9.52%	9.16%
40 TO 49 YEARS	20.71%	16.35%	16.50%
50 TO 59 YEARS	13.19%	10.56%	11.13%
60 TO 64 YEARS	3.85%	3.77%	4.13%
65 TO 69 YEARS	3.23%	3.46%	3.85%
70 TO 74 YEARS	2.61%	3.09%	3.47%
75 + YEARS	5.98%	6.29%	6.73%
MEDIAN AGE	39.82	36.60	37.71
AVERAGE AGE	41.06	38.37	39.03
1998 ESTIMATED FEMALE POP. BY AGE	17,180	138,438	302,283
UNDER 5 YEARS	2.77%	4.23%	4.60%
5 TO 9 YEARS	3.52%	4.67%	5.03%
10 TO 14 YEARS	2.53%	3.89%	4.38%
15 TO 17 YEARS	1.11%	2.13%	2.33%
18 TO 20 YEARS	0.81%	5.89%	4.15%
21 TO 24 YEARS	5.04%	6.13%	5.30%
25 TO 29 YEARS	10.93%	9.52%	8.78%
30 TO 34 YEARS	11.35%	9.08%	8.50%
35 TO 39 YEARS	10.65%	8.93%	8.69%
40 TO 49 YEARS	20.27%	15.95%	16.26%
50 TO 59 YEARS	13.05%	10.44%	11.04%
60 TO 64 YEARS	3.66%	3.70%	4.19%

CUSTOM SUMMARY REPORT
(POP FACTS: FULL DATA REPORT)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
65 TO 69 YEARS	3.15%	3.55%	4.06%
70 TO 74 YEARS	2.99%	3.48%	3.93%
75 + YEARS	8.17%	8.40%	8.78%
FEMALE MEDIAN AGE	40.58	37.50	39.00
FEMALE AVERAGE AGE	42.23	39.67	40.55
POPULATION BY HOUSEHOLD TYPE	37,018	294,891	624,954
FAMILY HOUSEHOLDS	46.24%	55.05%	63.03%
NON-FAMILY HOUSEHOLDS	52.18%	36.52%	30.96%
GROUP QUARTERS	1.58%	8.43%	6.01%
HOUSEHOLDS BY TYPE	20,714	132,964	273,539
SINGLE MALE	23.48%	21.05%	17.93%
SINGLE FEMALE	32.99%	27.99%	25.00%
MARRIED COUPLE	22.21%	23.72%	29.77%
OTHER FAMILY-MALE HEAD	1.87%	3.40%	3.53%
OTHER FAMILY-FEMALE HEAD	4.79%	11.09%	12.53%
NON FAMILY-MALE HEAD	7.90%	7.07%	6.18%
NON FAMILY-FEMALE HEAD	6.75%	5.68%	5.05%
POPULATION BY URBAN VS. RURAL	37,047	294,662	624,773
URBAN	100.00%	100.00%	100.00%
RURAL	0.00%	0.00%	0.00%
FEMALES 16+ WITH CHILDREN 0 - 17: BAS	18,479	136,766	286,002
WORKING WITH CHILD 0 - 5	3.06%	3.21%	3.71%
NOT WORKING WITH CHILD 0 - 5	0.18%	0.28%	0.30%
NOT IN LABOR FORCE WITH CHILD 0 -	1.39%	1.59%	1.74%
WORKING WITH CHILD 6 - 17	4.67%	5.65%	6.97%
NOT WORKING WITH CHILD 6 - 17	0.19%	0.36%	0.32%
NOT IN LAB. FORCE WITH CHILD 6 -	1.01%	1.68%	1.76%
WORKING WITH CHILD 0 - 5 & 6 - 18	0.91%	1.77%	2.08%
NOT WORKING WITH CHILD 0-5 & 6-18	0.00%	0.23%	0.20%
NOT IN LAB. FORCE W/CHILD 0-5 &6-	0.53%	0.95%	1.14%
WORKING WITH NO CHILDREN	62.57%	50.61%	48.76%
NOT WORKING WITH NO CHILDREN	1.30%	2.06%	1.95%
NOT IN LAB. FORCE WITH NO CHILD.	24.18%	31.61%	31.06%
HH BY AGE BY POVERTY STATUS	20,712	132,964	273,202
ABOVE POVERTY UNDER AGE 65	78.66%	70.86%	70.91%
ABOVE POVERTY AGE 65 +	14.59%	16.54%	18.57%
BELOW POVERTY UNDER AGE 65	5.28%	9.12%	7.42%

CUSTOM SUMMARY REPORT
(POP FACTS: FULL DATA REPORT)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
BELOW POVERTY AGE 65 +	1.47%	3.48%	3.10%
POPULATION 16+ BY EMPLOYMENT STATUS	34,023	258,150	536,727
EMPLOYED IN ARMED FORCES	0.18%	0.32%	1.33%
EMPLOYED CIVILIANS	75.43%	65.09%	64.84%
UNEMPLOYED CIVILIANS	2.01%	3.58%	3.51%
NOT IN LABOR FORCE	22.38%	31.01%	30.33%
POPULATION 16+ BY OCCUPATION	25,664	168,031	347,995
EXECUTIVE AND MANAGERIAL	23.88%	19.64%	20.58%
PROFESSIONAL SPECIALTY	38.02%	27.58%	26.61%
TECHNICAL SUPPORT	5.48%	5.17%	5.10%
SALES	6.60%	7.27%	7.21%
ADMINISTRATIVE SUPPORT	11.99%	16.39%	16.97%
SERVICE: PRIVATE HOUSEHOLD	2.05%	1.49%	1.29%
SERVICE: PROTECTIVE	0.47%	1.33%	1.55%
SERVICE: OTHER	7.44%	12.38%	10.85%
FARMING FORESTRY & FISHING	0.29%	0.45%	0.45%
PRECISION PRODUCTION & CRAFT	1.67%	3.43%	4.01%
MACHINE OPERATOR	0.63%	1.08%	1.25%
TRANS. AND MATERIAL MOVING	0.74%	1.95%	2.32%
LABORERS	0.73%	1.84%	1.82%
FAMILIES BY NUMBER OF WORKERS	6,174	51,973	127,190
NO WORKERS	6.44%	11.34%	11.28%
ONE WORKER	26.34%	28.78%	28.06%
TWO WORKERS	59.49%	47.83%	47.41%
THREE + WORKERS	7.72%	12.05%	13.26%
POPULATION BY TRANSPORTATION TO WORK	25,439	166,016	349,205
DRIVE ALONE	29.88%	31.28%	38.97%
CAR POOL	7.30%	9.02%	10.97%
PUBLIC TRANSPORTATION	37.54%	37.30%	32.97%
DRIVE MOTORCYCLE	0.26%	0.15%	0.13%
WALKED ONLY	16.09%	16.21%	11.78%
OTHER MEANS	3.06%	1.87%	1.46%
WORKED AT HOME	5.88%	4.17%	3.70%
POPULATION BY TRAVEL TIME TO WORK	25,439	166,016	349,205
UNDER 10 MINUTES / WORK AT HOME	12.51%	12.48%	11.70%
10 TO 29 MINUTES	54.99%	49.66%	48.30%
30 TO 59 MINUTES	29.57%	33.27%	35.03%

CUSTOM SUMMARY REPORT
(POP FACTS: FULL DATA REPORT)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
60 TO 89 MINUTES	2.69%	3.85%	4.20%
90+ MINUTES	0.24%	0.74%	0.77%
AVERAGE TRAVEL TIME IN MINUTES	21.90	23.66	24.43
HOUSEHOLDS BY NO. OF VEHICLES	20,588	132,923	273,540
NO VEHICLES	32.49%	37.10%	29.13%
1 VEHICLE	49.80%	43.46%	43.60%
2 VEHICLES	14.34%	15.68%	20.75%
3+ VEHICLES	3.37%	3.76%	6.51%
ESTIMATED TOTAL VEHICLES	18,378	115,457	289,826
POPULATION 25+ BY EDUCATION LEVEL	29,297	206,911	444,804
ELEMENTARY (0-8)	5.13%	9.26%	7.84%
SOME HIGH SCHOOL (9-11)	4.61%	11.95%	11.48%
HIGH SCHOOL GRADUATE (12)	7.75%	15.01%	16.62%
SOME COLLEGE (13-15)	10.68%	13.82%	15.13%
ASSOCIATES DEGREE ONLY	2.82%	2.91%	3.39%
BACHELORS DEGREE ONLY	30.06%	21.87%	21.94%
GRADUATE DEGREE	38.94%	25.18%	23.59%
POPULATION ENROLLED IN SCHOOL	6,835	74,409	147,539
PUBLIC PRE- PRIMARY	1.39%	2.67%	3.16%
PRIVATE PRE- PRIMARY	4.69%	2.54%	3.35%
PUBLIC ELEM/HIGH	19.53%	30.01%	35.48%
PRIVATE ELEM/HIGH	14.58%	8.30%	9.84%
ENROLLED IN COLLEGE	59.81%	56.48%	48.18%
HOUSING UNITS BY OCCUPANCY STATUS	22,512	147,229	299,987
OCCUPIED	92.01%	90.31%	91.18%
VACANT	7.99%	9.69%	8.82%
VACANT UNITS	1,799	14,265	26,448
FOR RENT	42.47%	45.84%	45.82%
FOR SALE ONLY	18.22%	15.22%	14.43%
SEASONAL	7.24%	7.10%	8.28%
OTHER	32.08%	31.84%	31.47%
OWNER OCCUPIED PROPERTY VALUES	3,413	29,976	86,632
UNDER $25,000	0.16%	0.39%	0.37%
$25,000 TO $49,999	0.05%	0.80%	0.71%
$50,000 TO $74,999	0.22%	5.04%	4.52%
$75,000 TO $99,999	0.42%	14.69%	13.77%

CUSTOM SUMMARY REPORT
(POP FACTS: FULL DATA REPORT)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
$100,000 TO $149,999	1.27%	13.97%	17.57%
$150,000 TO $199,999	3.84%	7.88%	11.22%
$200,000 TO $299,999	20.12%	16.99%	19.74%
$300,000 TO $399,999	17.58%	15.28%	13.64%
$400,000 TO $499,999	14.35%	8.43%	7.19%
$500,000 +	41.98%	16.53%	11.26%
MEDIAN PROPERTY VALUE	$444,297	$242,571	$209,266
TOTAL RENTAL UNITS	12,873	81,465	151,204
MEDIAN RENT	$622	$556	$566
PERSONS IN UNIT	20,714	132,964	273,539
1 PERSON UNITS	56.48%	49.04%	42.93%
2 PERSON UNITS	26.76%	26.89%	29.15%
3 PERSON UNITS	7.93%	10.21%	12.31%
4 PERSON UNITS	5.00%	6.86%	8.29%
5 PERSON UNITS	2.06%	3.39%	3.80%
6 PERSON UNITS	1.00%	1.73%	1.76%
7 + UNITS	0.77%	1.88%	1.74%
YEAR ROUND UNITS IN STRUCTURE	22,512	147,229	299,987
SINGLE UNITS DETACHED	6.69%	10.98%	20.54%
SINGLE UNITS ATTACHED	16.55%	19.29%	19.76%
DOUBLE UNITS	2.28%	2.45%	2.75%
3 TO 9 UNITS	8.09%	9.67%	11.25%
10 TO 19 UNITS	7.88%	8.40%	8.52%
20 TO 49 UNITS	15.58%	10.73%	7.42%
50 + UNITS	41.71%	37.41%	28.74%
MOBILE HOME OR TRAILER	0.01%	0.01%	0.02%
ALL OTHER	1.21%	1.06%	1.00%
SINGLE/MULTIPLE UNIT RATIO	0.31	0.44	0.69
HOUSING UNITS BY YEAR BUILT	20,588	132,923	273,540
BUILT 1989 TO MARCH 1990	0.69%	0.75%	0.87%
BUILT 1985 TO 1988	1.22%	3.21%	2.89%
BUILT 1980 TO 1984	0.68%	3.77%	3.36%
BUILT 1970 TO 1979	2.44%	7.96%	8.23%
BUILT 1960 TO 1969	6.76%	11.92%	14.05%
BUILT 1950 TO 1959	11.30%	14.19%	16.80%
BUILT 1940 TO 1949	15.82%	14.36%	16.91%
BUILT 1939 OR EARLIER	61.10%	43.85%	36.89%

CUSTOM SUMMARY REPORT
(RETAIL TRADE POTENTIAL REPORT - CURRENT YEAR SALES BY STORE TYPE)
BY NATIONAL DECISION SYSTEMS 800-866-6510
PREPARED FOR
CUSHMAN & WAKEFIELD, INC

CALVERT ST NW AT 29TH ST NW
WASHINGTON, DC COORD: 38:55.37 77:03.49

DESCRIPTION	1.00 MILE RADIUS	3.00 MILE RADIUS	5.00 MILE RADIUS
TOTAL RETAIL SALES	$369	$2,420	$5,605
APPAREL & ACCESSORY STORES	$33	$224	$508
AUTOMOTIVE DEALERS	$14	$151	$676
AUTOMOTIVE & HOME SUPPLY STORES	$2	$17	$49
DRUG & PROPRIETARY STORES	$21	$138	$289
EATING & DRINKING PLACES	$100	$619	$1,176
FOOD STORES	$58	$375	$878
FURNITURE & HOME FURNISHINGS STORES	$9	$62	$162
HOME APPLIANCE, RADIO, & T.V. STORES	$20	$117	$251
GASOLINE SERVICE STATIONS	$18	$116	$268
GENERAL MERCHANDISE	$22	$155	$428
DEPARTMENT STORES (INCLUDING LEASED DEPTS.)	$20	$145	$387
HARDWARE, LUMBER & GARDEN STORES	$6	$35	$105

($'S IN MILLIONS)

INVESTOR SURVEY

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
OFFICE												
Urban/CBD												
Class A - Leased Asset	9.0%	9.0%	9.5%	9.5%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	7.0%	8.0%	8.0%	9.0%	10.0%	11.0%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	8.0%	9.5%	8.0%	10.5%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	7.5%	8.0%	8.3%	9.0%	10.3%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	15.0
	8.5%	8.5%	9.0%	9.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	13.0%	13.0%	4.0%	4.0%	3.0%	3.0%		
Number of Responses	8		8		7		8		8		6	
Mean Average (Low/High)	8.3%	8.7%	8.6%	9.1%	11.0%	11.5%	3.5%	3.6%	3.0%	3.3%	10.0	10.8
Mean Average (Fall 1998)	8.5%		8.9%		11.2%		3.6%		3.1%		10.4	
Mean Average (Spring 1998)	8.7%		9.1%		11.5%		3.6%		3.2%		8.0	
Change from Spring 1998	Down 20 Basis Pts		Down 24 Basis Pts		Down 27 Basis Pts		Down 4 Basis Pts		Down 7 Basis Pts		Increase 2.4 Yrs	
Median Average	8.5%		9.0%		11.0%		4.0%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		4.0%		3.0%		10.0	
Low within Range	7.0%	8.0%	8.0%	8.0%	10.0%	11.0%	3.0%	3.0%	2.5%	3.0%	10.0	10.0
High within Range	9.0%	9.5%	9.5%	10.5%	13.0%	13.0%	4.0%	4.0%	3.5%	4.0%	10.0	15.0
Class B - Leased Asset	10.0%	10.0%	10.5%	10.5%	12.5%	12.5%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	8.5%	8.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.0%	10.0%	11.0%	12.5%	3.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.5%	8.5%	9.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	11.3%	11.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	5		5		4		5		5		4	
Mean Average (Low/High)	9.0%	9.3%	9.4%	9.8%	11.4%	12.1%	3.1%	3.1%	3.0%	3.2%	9.3	10.0
Mean Average (Fall 1998)	9.2%		9.6%		11.8%		3.1%		3.1%		9.6	
Mean Average (Spring 1998)	9.6%		9.8%		12.5%		3.3%		2.8%		6.3	
Change from Spring 1998	Down 45 Basis Pts		Down 20 Basis Pts		Down 75 Basis Pts		Down 20 Basis Pts		Up 30 Basis Pts		Increase 3.3 Yrs	
Median Average	9.0%		10.0%		11.6%		3.0%		3.0%		10.0	
Mode Average	8.5%		10.0%		12.5%		3.0%		3.0%		10.0	
Low within Range	8.5%	8.5%	8.5%	8.5%	11.0%	11.3%	2.0%	2.0%	2.5%	3.0%	7.0	10.0
High within Range	10.0%	10.0%	10.5%	10.5%	12.5%	12.5%	4.0%	4.0%	3.5%	3.5%	10.0	10.0
Class A - Value Added	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	7.0%	8.0%	8.0%	9.0%	10.0%	11.0%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	5.0%	5.0%	3.0%	3.0%	10.0	10.0
	8.5%	9.5%	8.3%	9.0%	11.8%	13.0%	3.0%	3.0%	3.0%	3.0%		
	9.0%	9.0%	9.5%	9.5%	14.0%	14.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Number of Responses	7		7		6		7		7		5	
Mean Average (Low/High)	8.7%	9.0%	9.0%	9.2%	12.0%	12.3%	3.7%	3.7%	3.1%	3.3%	9.4	9.4
Mean Average (Fall 1998)	8.9%		9.1%		12.1%		3.7%		3.2%		9.4	
Mean Average (Spring 1998)	8.0%		9.0%		13.9%		3.3%		2.9%		5.8	
Change from Spring 1998	Up 86 Basis Pts		Up 9 Basis Pts		Down 175 Basis Pts		Up 41 Basis Pts		Up 31 Basis Pts		Increase 3.6 Yrs	
Median Average	9.0%		9.0%		12.0%		4.0%		3.0%		10.0	
Mode Average	9.0%		10.0%		13.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	8.0%	8.0%	8.0%	10.0%	11.0%	3.0%	3.0%	2.5%	3.0%	7.0	7.0
High within Range	9.5%	9.5%	10.0%	10.0%	14.0%	14.0%	5.0%	5.0%	4.0%	4.0%	10.0	10.0
Class B - Value Added	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.5%	9.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.0%	10.0%	12.0%	13.5%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%	12.0%	12.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	8.0%	10.5%	9.0%	10.0%	12.5%	15.0%	3.0%	3.0%	3.0%	3.0%	3.0	7.0
	8.8%	8.8%	9.3%	9.3%	16.0%	16.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	7.0%	7.0%	9.0%	9.0%	15.0%	15.0%	4.0%	4.0%	3.0%	3.0%		
Number of Responses	7		7		6		7		7		5	
Mean Average (Low/High)	8.9%	9.5%	9.4%	9.7%	13.3%	14.0%	3.4%	3.4%	3.1%	3.3%	7.4	8.8
Mean Average (Fall 1998)	9.2%		9.5%		13.7%		3.4%		3.2%		8.1	
Mean Average (Spring 1998)	9.0%		9.9%		15.1%		3.3%		2.8%		5.8	
Change from Spring 1998	Up 18 Basis Pts		Down 36 Basis Pts		Down 143 Basis Pts		Up 13 Basis Pts		Up 41 Basis Pts		Increase 2.3 Yrs	
Median Average	9.5%		9.3%		13.0%		4.0%		3.0%		7.0	
Mode Average	10.5%		9.0%		12.5%		4.0%		3.0%		7.0	
Low within Range	7.0%	7.0%	8.5%	8.5%	12.0%	12.0%	2.0%	2.0%	2.5%	3.0%	3.0	7.0
High within Range	10.5%	10.5%	11.0%	11.0%	16.0%	16.0%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Urban/CBD Office (Overall Results)												
Number of Responses	27		27		23		27		27		20	
Mean Average (Low/High)	8.7%	9.1%	9.0%	9.4%	11.9%	12.5%	3.5%	3.5%	3.1%	3.3%	9.1	9.8
Mean Average (Fall 1998)	8.9%		9.2%		12.2%		3.5%		3.2%		9.4	
Mean Average (Spring 1998)	8.8%		9.4%		12.9%		3.4%		3.0%		6.8	
Change from Spring 1998	Up 9 Basis Pts		Down 17 Basis Pts		Down 70 Basis Pts		Up 8 Basis Pts		Up 17 Basis Pts		Increase 2.6 Yrs	
Median Average	9.0%		9.0%		12.0%		3.8%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		4.0%		3.0%		10.0	
Low within Range	7.0%	7.0%	8.0%	8.0%	10.0%	11.0%	2.0%	2.0%	2.5%	3.0%	3.0	7.0
High within Range	10.5%	10.5%	11.0%	11.0%	16.0%	16.0%	5.0%	5.0%	4.0%	4.0%	10.0	15.0
Suburban												
Class A - Leased Asset	9.0%	9.0%	9.5%	9.5%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	8.5%	8.5%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	8.0%	9.0%	8.5%	9.5%	10.0%	11.0%	3.0%	3.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	8.5%	8.5%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	11.0%	1.0%	1.0%	2.0%	3.0%	[illegible]	[illegible]

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates Going-In Low	Capitalization Rates Going-In High	Capitalization Rates Terminal Low	Capitalization Rates Terminal High	Internal Rate of Return Low	Internal Rate of Return High	Growth Rate Income Low	Growth Rate Income High	Growth Rate Expenses Low	Growth Rate Expenses High	Typical Projection Period (Years) Low	Typical Projection Period (Years) High
	8.0%	10.0%	9.0%	11.5%	11.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.0%	9.0%	8.0%	9.0%	10.0%	10.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.0%	9.0%	8.5%	9.5%	10.5%	11.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.3%	9.3%	11.0%	11.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	11		11		10		11		11		10	
Mean Average (Low/High)	8.5%	8.9%	8.8%	9.3%	10.7%	11.1%	3.1%	3.2%	3.0%	3.2%	9.7	10.0
Mean Average (Fall 1998)	8.7%		9.1%		10.9%		3.1%		3.1%		9.9	
Mean Average (Spring 1998)	8.9%		9.3%		11.5%		3.5%		3.2%		8.4	
Change from Spring 1998	Down 20 Basis Pts		Down 21 Basis Pts		Down 61 Basis Pts		Down 36 Basis Pts		Down 11 Basis Pts		Increase 1.5 Yrs	
Median Average	8.8%		9.0%		11.0%		3.0%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		3.0%		3.0%		10.0	
Low within Range	8.0%	8.5%	8.0%	8.0%	10.0%	10.5%	1.0%	1.0%	2.0%	3.0%	7.0	10.0
High within Range	9.0%	10.0%	10.0%	11.5%	11.0%	12.0%	4.0%	4.0%	3.5%	4.0%	10.0	10.0
Class B - Leased Asset	10.0%	10.0%	10.5%	10.5%	12.5%	12.5%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	8.5%	8.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.5%	10.5%	11.5%	12.5%	3.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	11.0%	11.0%	12.0%	12.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	9.0%	9.5%	9.0%	9.8%	10.5%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.5%	10.5%	11.5%	12.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	11.5%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.3%	9.3%	9.5%	9.5%	11.5%	11.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	9		9		8		9		9		8	
Mean Average (Low/High)	9.0%	9.3%	9.6%	9.9%	11.5%	11.8%	3.1%	3.1%	2.9%	3.2%	9.6	10.0
Mean Average (Fall 1998)	9.1%		9.8%		11.6%		3.1%		3.1%		9.8	
Mean Average (Spring 1998)	9.5%		9.8%		12.4%		3.1%		2.9%		8.1	
Change from Spring 1998	Down 36 Basis Pts		Down 4 Basis Pts		Down 77 Basis Pts		Down 4 Basis Pts		Up 16 Basis Pts		Increase 1.7 Yrs	
Median Average	9.0%		9.6%		11.5%		3.0%		3.0%		10.0	
Mode Average	8.5%		10.5%		11.5%		3.0%		3.0%		10.0	
Low within Range	8.5%	8.5%	8.5%	8.5%	10.5%	11.0%	1.0%	1.0%	2.0%	3.0%	7.0	10.0
High within Range	10.0%	10.0%	11.0%	11.0%	12.5%	12.5%	4.0%	4.0%	3.5%	3.5%	10.0	10.0
Class A - Value Added	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	9.0%	9.0%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	8.0%	9.0%	8.5%	9.5%	11.0%	12.0%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	5.0%	5.0%	3.0%	3.0%	10.0	10.0
	8.0%	8.0%	9.0%	9.0%	11.5%	11.5%	5.0%	5.0%	3.5%	3.5%	10.0	10.0
	7.0%	10.0%	8.8%	9.5%	11.8%	13.0%	3.0%	3.0%	3.0%	3.0%	3.0	7.0
	9.0%	9.0%	9.5%	9.5%	15.0%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.3%	8.3%	9.3%	9.3%	13.5%	13.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0

INVESTOR SURVEY
Cushman & Wakefield Valuation Advisory Services
Fall 1998

	Capitalization Rates Going-In Low	Capitalization Rates Going-In High	Capitalization Rates Terminal Low	Capitalization Rates Terminal High	Internal Rate of Return Low	Internal Rate of Return High	Growth Rate Income Low	Growth Rate Income High	Growth Rate Expenses Low	Growth Rate Expenses High	Typical Projection Period (Years) Low	Typical Projection Period (Years) High
Number of Responses	8		8		7		8		8		7	
Mean Average (Low/High)	8.5%	9.0%	9.0%	9.2%	12.3%	12.6%	3.8%	3.8%	3.1%	3.2%	8.6	9.6
Mean Average (Fall 1998)	8.7%		9.1%		12.4%		3.8%		3.1%		9.1	
Mean Average (Spring 1998)	8.3%		9.5%		13.6%		3.3%		3.1%		6.1	
Change from Spring 1998	Up 42 Basis Pts		Down 39 Basis Pts		Down 119 Basis Pts		Up 51 Basis Pts		Up 3 Basis Pts		Increase 3.0 Yrs	
Median Average	9.0%		9.1%		12.0%		3.8%		3.0%		10.0	
Mode Average	9.0%		9.0%		12.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	8.0%	8.0%	8.0%	11.0%	11.0%	3.0%	3.0%	2.5%	3.0%	3.0	7.0
High within Range	9.5%	10.0%	10.0%	10.0%	15.0%	15.0%	5.0%	5.0%	3.5%	3.5%	10.0	10.0
Class B - Value Added	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	9.5%	9.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.5%	10.5%	12.0%	13.5%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	12.0%	12.0%	5.0%	5.0%	3.5%	3.5%	10.0	10.0
	8.5%	11.0%	9.5%	10.5%	12.8%	15.5%	3.0%	3.0%	3.0%	3.0%	3.0	7.0
	8.8%	8.8%	9.3%	9.3%			3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.8%	9.8%	14.0%	14.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	7		7		5		7		7		6	
Mean Average (Low/High)	9.0%	9.6%	9.5%	9.8%	12.7%	13.5%	3.6%	3.6%	3.1%	3.2%	8.3	9.5
Mean Average (Fall 1998)	9.3%		9.6%		13.1%		3.6%		3.1%		8.9	
Mean Average (Spring 1998)	9.1%		10.0%		14.7%		3.4%		3.0%		7.1	
Change from Spring 1998	Up 19 Basis Pts		Down 36 Basis Pts		Down 163 Basis Pts		Up 24 Basis Pts		Up 14 Basis Pts		Increase 1.8 Yrs	
Median Average	8.8%		9.5%		12.6%		3.5%		3.0%		10.0	
Mode Average	8.5%		11.0%		12.0%		3.0%		3.0%		10.0	
Low within Range	8.5%	8.5%	8.5%	8.5%	12.0%	12.0%	3.0%	3.0%	2.5%	3.0%	3.0	7.0
High within Range	10.5%	11.0%	11.0%	11.0%	14.0%	15.5%	5.0%	5.0%	3.5%	3.5%	10.0	10.0
Suburban Office (Overall Results)												
Number of Responses	35		35		30		35		35		31	
Mean Average (Low/High)	8.7%	9.2%	9.2%	9.6%	11.6%	12.0%	3.4%	3.4%	3.0%	3.2%	9.2	9.8
Mean Average (Fall 1998)	8.9%		9.4%		11.8%		3.4%		3.1%		9.5	
Mean Average (Spring 1998)	8.9%		9.6%		12.7%		3.3%		3.1%		7.6	
Change from Spring 1998	Up 4 Basis Pts		Down 22 Basis Pts		Down 90 Basis Pts		Up 7 Basis Pts		Up 0 Basis Pts		Increase 1.9 Yrs	
Median Average	9.0%		9.3%		11.5%		3.3%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	8.0%	8.0%	8.0%	10.0%	10.5%	1.0%	1.0%	2.0%	3.0%	3.0	7.0
High within Range	10.5%	11.0%	11.0%	11.5%	15.0%	15.5%	5.0%	5.0%	3.5%	4.0%	10.0	10.0

INDUSTRIAL

Warehouse/Distribution

	Going-In Low	Going-In High	Terminal Low	Terminal High	IRR Low	IRR High	Income Low	Income High	Expenses Low	Expenses High	Projection Low	Projection High
Class A - Leased Asset	9.0%	9.0%	9.5%	9.5%	11.0%	11.5%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	8.0%	9.0%	9.0%	9.5%	10.5%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.5%	8.5%	8.5%	8.5%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	11.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	8.0%	10.0%	8.5%	11.5%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0

	Capitalization Rates Going-In Low	Capitalization Rates Going-In High	Terminal Low	Terminal High	Internal Rate of Return Low	Internal Rate of Return High	Growth Rate Income Low	Growth Rate Income High	Growth Rate Expenses Low	Growth Rate Expenses High	Typical Projection Period (Years) Low	Typical Projection Period (Years) High
	8.3%	9.5%	9.0%	10.0%	10.3%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.5%	9.5%	10.5%	10.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	10.5%	10.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	8		8		8		8		8		8	
Mean Average (Low/High)	8.5%	9.0%	9.1%	9.7%	10.6%	11.1%	2.8%	3.0%	2.9%	3.3%	9.6	10.0
Mean Average (Fall 1998)	8.8%		9.4%		10.8%		2.9%		3.1%		9.8	
Mean Average (Spring 1998)	8.9%		9.3%		11.1%		3.2%		3.1%		8.7	
Change from Spring 1998	Down 13 Basis Pts		Up 11 Basis Pts		Down 27 Basis Pts		Down 33 Basis Pts		Down 4 Basis Pts		Increase 1.1 Yrs	
Median Average	8.8%		9.5%		10.5%		3.0%		3.0%		10.0	
Mode Average	9.0%		9.5%		10.5%		3.5%		3.0%		10.0	
Low within Range	8.0%	8.5%	8.5%	8.5%	10.3%	10.5%	1.0%	1.0%	2.0%	3.0%	7.0	10.0
High within Range	9.0%	10.0%	10.0%	11.5%	11.0%	12.0%	3.5%	4.0%	3.5%	4.0%	10.0	10.0
Class B - Leased Asset	10.5%	10.5%	11.0%	11.0%	12.0%	12.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.0%	10.0%	9.5%	10.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.5%	10.5%	12.0%	12.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	8.5%	9.3%	9.0%	10.0%	10.3%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	9.5%	9.5%	11.5%	11.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	13.0%	13.0%	4.0%	4.0%	3.0%	3.0%		
Number of Responses	8		8		8		8		8		7	
Mean Average (Low/High)	9.2%	9.4%	9.8%	10.1%	11.5%	11.8%	2.8%	2.9%	2.9%	3.1%	9.6	10.0
Mean Average (Fall 1998)	9.3%		9.9%		11.6%		2.9%		3.0%		9.8	
Mean Average (Spring 1998)	9.3%		9.8%		12.0%		2.9%		2.9%		8.2	
Change from Spring 1998	Down 0 Basis Pts		Up 14 Basis Pts		Down 36 Basis Pts		Down 2 Basis Pts		Up 10 Basis Pts		Increase 1.6 Yrs	
Median Average	9.0%		10.0%		11.5%		3.0%		3.0%		10.0	
Mode Average	9.0%		10.0%		11.0%		3.5%		3.0%		10.0	
Low within Range	8.5%	9.0%	9.0%	9.0%	10.3%	11.0%	1.0%	1.0%	2.0%	3.0%	7.0	10.0
High within Range	10.5%	10.5%	11.0%	11.0%	13.0%	13.0%	4.0%	4.0%	3.5%	3.5%	10.0	10.0
Class A - Value Added	9.5%	9.5%	10.0%	10.0%	11.5%	11.5%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	8.0%	9.0%	9.0%	9.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.3%	9.3%	8.5%	8.5%	11.5%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.0%	8.0%	11.0%	11.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.0%	8.0%	9.0%	9.0%	13.5%	13.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	6		6		6		6		6		6	
Mean Average (Low/High)	8.6%	8.8%	9.6%	9.7%	11.7%	12.0%	3.0%	3.2%	3.0%	3.2%	8.7	9.2
Mean Average (Fall 1998)	8.7%		9.6%		11.8%		3.1%		3.1%		8.9	
Mean Average (Spring 1998)	8.7%		9.5%		13.1%		2.8%		2.9%		7.1	
Change from Spring 1998	Up 1 Basis Pts		Up 13 Basis Pts		Down 127 Basis Pts		Up 28 Basis Pts		Up 18 Basis Pts		Increase 1.8 Yrs	

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Median Average	9.0%		9.8%		11.5%		3.0%		3.0%		10.0	
Mode Average	8.0%		10.0%		11.5%		3.5%		3.0%		10.0	
Low within Range	8.0%	8.0%	8.5%	8.5%	11.0%	11.0%	2.5%	2.5%	2.5%	3.0%	5.0	5.0
High within Range	9.5%	9.5%	11.0%	11.0%	13.5%	13.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Class B - Value Added	10.5%	10.5%	11.0%	11.0%	12.5%	13.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.0%	10.0%	9.5%	10.5%	12.0%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.5%	9.5%	9.0%	9.0%	12.0%	12.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	7.5%	7.5%	11.0%	11.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	14.0%	14.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	6		6		6		6		6		6	
Mean Average (Low/High)	9.0%	9.2%	9.9%	10.1%	12.1%	12.4%	2.9%	3.1%	3.0%	3.2%	8.7	9.2
Mean Average (Fall 1998)	9.1%		10.0%		12.3%		3.0%		3.1%		8.6	
Mean Average (Spring 1998)	9.1%		10.0%		14.2%		2.8%		2.8%		7.3	
Change from Spring 1998	Down 2 Basis Pts		Up 0 Basis Pts		Down 195 Basis Pts		Up 20 Basis Pts		Up 28 Basis Pts		Increase 1.3 Yrs	
Median Average	9.0%		10.0%		12.0%		3.0%		3.0%		10.0	
Mode Average	9.0%		11.0%		12.0%		3.5%		3.0%		10.0	
Low within Range	7.5%	7.5%	9.0%	9.0%	11.0%	11.0%	2.0%	2.0%	2.5%	3.0%	5.0	5.0
High within Range	10.5%	10.5%	11.0%	11.0%	14.0%	14.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Warehouse/Distribution (Overall Results)												
Number of Responses	28		28		28		28		28		27	
Mean Average (Low/High)	8.8%	9.1%	9.6%	9.9%	11.4%	11.8%	2.9%	3.0%	2.9%	3.2%	9.2	9.6
Mean Average (Fall 1998)	9.0%		9.7%		11.6%		2.9%		3.1%		9.4	
Mean Average (Spring 1998)	9.0%		9.6%		12.3%		2.9%		2.9%		8.0	
Change from Spring 1998	Down 3 Basis Pts		Up 13 Basis Pts		Down 72 Basis Pts		Up 5 Basis Pts		Up 15 Basis Pts		Increase 1.4 Yrs	
Median Average	9.0%		9.5%		11.5%		3.0%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		3.5%		3.0%		10.0	
Low within Range	7.5%	7.5%	8.5%	8.5%	10.3%	10.5%	1.0%	1.0%	2.0%	3.0%	5.0	5.0
High within Range	10.5%	10.5%	11.0%	11.5%	14.0%	14.0%	4.0%	4.0%	3.5%	4.0%	10.0	10.0
Business Parks/ Other Industrial & Manufacturing												
Class A - Leased Asset	9.5%	9.5%	10.0%	10.0%	11.5%	12.0%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	9.0%	9.5%	9.0%	9.5%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.5%	9.0%	10.0%	10.8%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.3%	9.3%	11.3%	11.3%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	4		4		4		4		4		4	
Mean Average (Low/High)	9.1%	9.3%	9.3%	9.7%	11.1%	11.4%	3.1%	3.1%	3.1%	3.1%	9.3	10.0
Mean Average (Fall 1998)	9.2%		9.5%		11.3%		3.1%		3.1%		9.6	
Mean Average (Spring 1998)	9.2%		9.5%		11.3%		3.3%		3.5%		8.0	
Change from Spring 1998	Down 1 Basis Pts		Up 0 Basis Pts		Down 2 Basis Pts		Down 18 Basis Pts		Down 38 Basis Pts		Increase 1.6 Yrs	

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Median Average	9.3%		9.4%		11.3%		3.3%		3.0%		10.0	
Mode Average	9.5%		10.0%		11.5%		3.5%		3.0%		10.0	
Low within Range	8.8%	8.8%	9.0%	9.3%	10.8%	11.0%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
High within Range	9.5%	9.5%	10.0%	10.0%	11.5%	12.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Class B - Leased Asset	10.5%	10.5%	11.0%	11.0%	12.0%	12.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.5%	10.0%	9.5%	10.0%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.5%	9.5%	9.5%	10.0%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.3%	9.3%	9.8%	9.8%	12.0%	12.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	4		4		4		4		4		4	
Mean Average (Low/High)	9.4%	9.8%	9.9%	10.2%	11.5%	11.6%	3.0%	3.0%	3.1%	3.1%	9.3	10.0
Mean Average (Fall 1998)	9.6%		10.1%		11.6%		3.0%		3.1%		9.6	
Mean Average (Spring 1998)	9.5%		9.8%		11.8%		3.3%		3.3%		7.5	
Change from Spring 1998	Up 13 Basis Pts		Up 26 Basis Pts		Down 24 Basis Pts		Down 30 Basis Pts		Down 18 Basis Pts		Increase 2.1 Yrs	
Median Average	9.5%		9.9%		11.8%		3.3%		3.0%		10.0	
Mode Average	10.5%		11.0%		12.0%		3.5%		3.0%		10.0	
Low within Range	8.5%	9.3%	9.5%	9.8%	11.0%	11.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
High within Range	10.5%	10.5%	11.0%	11.0%	12.0%	12.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Class A - Value Added	10.0%	10.0%	10.5%	10.5%	12.0%	12.0%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	8.5%	9.5%	9.0%	9.5%	11.0%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.0%	8.0%	9.3%	9.3%	13.5%	13.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	4		4		4		4		4		4	
Mean Average (Low/High)	8.9%	9.1%	9.7%	9.8%	11.9%	12.3%	3.1%	3.1%	3.1%	3.1%	8.0	8.8
Mean Average (Fall 1998)	9.0%		9.8%		12.1%		3.1%		3.1%		8.4	
Mean Average (Spring 1998)	7.5%		9.4%		14.1%		3.3%		3.5%		6.3	
Change from Spring 1998	Up 150 Basis Pts		Up 35 Basis Pts		Down 204 Basis Pts		Down 18 Basis Pts		Down 38 Basis Pts		Increase 2.1 Yrs	
Median Average	9.0%		9.8%		12.0%		3.3%		3.0%		10.0	
Mode Average	10.0%		10.5%		12.0%		3.5%		3.0%		10.0	
Low within Range	8.0%	8.0%	9.0%	9.3%	11.0%	11.5%	2.5%	2.5%	3.0%	3.0%	5.0	5.0
High within Range	10.0%	10.0%	10.5%	10.5%	13.5%	13.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Class B - Value Added	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.0%	10.0%	9.0%	10.0%	11.0%	12.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.5%	8.5%	9.8%	9.8%	14.0%	14.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	4		4		4		4		4		4	
Mean Average (Low/High)	9.3%	9.5%	9.9%	10.2%	12.1%	12.6%	3.0%	3.0%	3.1%	3.1%	8.0	8.8
Mean Average (Fall 1998)	9.4%		10.1%		12.4%		3.0%		3.1%		8.4	

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Mean Average (Spring 1998)	7.8%		9.6%		15.8%		3.3%		3.3%		7.5	
Change from Spring 1998	Up 158 Basis Pts		Up 46 Basis Pts		Down 343 Basis Pts		Down 30 Basis Pts		Down 18 Basis Pts		Increase 0.9 Yrs	
Median Average	9.0%		10.0%		12.3%		3.3%		3.0%		10.0	
Mode Average	9.0%		10.0%		12.5%		3.5%		3.0%		10.0	
Low within Range	8.5%	8.5%	9.0%	9.8%	11.0%	12.0%	2.0%	2.0%	3.0%	3.0%	5.0	5.0
High within Range	10.5%	10.5%	11.0%	11.0%	14.0%	14.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Business Parks/ Other Industrial & Manufacturing (Overall Results)												
Number of Responses	16		16		16		16		16		16	
Mean Average (Low/High)	9.2%	9.4%	9.7%	10.0%	11.7%	12.0%	3.1%	3.1%	3.1%	3.1%	8.6	9.4
Mean Average (Fall 1998)	9.3%		9.8%		11.8%		3.1%		3.1%		9.0	
Mean Average (Spring 1998)	8.6%		9.5%		12.9%		3.3%		3.4%		7.4	
Change from Spring 1998	Up 70 Basis Pts		Up 34 Basis Pts		Down 108 Basis Pts		Down 24 Basis Pts		Down 27 Basis Pts		Increase 1.6 Yrs	
Median Average	9.3%		9.9%		11.8%		3.3%		3.0%		10.0	
Mode Average	9.5%		10.0%		12.0%		3.5%		3.0%		10.0	
Low within Range	8.0%	8.0%	9.0%	9.3%	10.8%	11.0%	2.0%	2.0%	3.0%	3.0%	5.0	5.0
High within Range	10.5%	10.5%	11.0%	11.0%	14.0%	14.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
RETAIL												
Neighborhood & Community Centers												
Class A - Leased Asset	9.0%	9.0%	9.5%	9.5%	11.5%	11.5%	2.0%	2.0%	2.5%	2.5%	7.0	10.0
	8.5%	9.5%	9.0%	9.5%	11.0%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.0%	10.0%	8.5%	10.5%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	9.0%	9.3%	9.3%	9.5%	10.8%	10.8%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.3%	9.3%	11.0%	11.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
Number of Responses	6		6		6		6		6		6	
Mean Average (Low/High)	8.7%	9.3%	9.1%	9.5%	10.9%	11.2%	2.9%	3.3%	2.9%	3.3%	9.5	10.0
Mean Average (Fall 1998)	9.0%		9.3%		11.1%		3.1%		3.1%		9.8	
Mean Average (Spring 1998)	9.4%		9.8%		11.4%		3.2%		3.3%		9.3	
Change from Spring 1998	Down 42 Basis Pts		Down 49 Basis Pts		Down 35 Basis Pts		Down 12 Basis Pts		Down 22 Basis Pts		Increase 0.4 Yrs	
Median Average	9.0%		9.3%		11.0%		3.3%		3.0%		10.0	
Mode Average	9.0%		9.5%		11.5%		2.5%		3.0%		10.0	
Low within Range	8.0%	8.8%	8.5%	9.0%	10.5%	10.5%	2.0%	2.0%	2.5%	2.5%	7.0	10.0
High within Range	9.0%	10.0%	9.5%	10.5%	11.5%	12.0%	4.0%	4.0%	3.5%	4.0%	10.0	10.0
Class B - Leased Asset	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
	9.5%	10.5%	10.0%	11.0%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.3%	9.3%	9.3%	9.3%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.5%	9.5%	9.0%	10.0%	10.5%	12.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	10.0%	10.5%	10.0%	10.5%	10.8%	10.8%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%			4.0%	4.0%	4.0%	4.0%		

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Number of Responses	7		7		6		7		7		6	
Mean Average (Low/High)	9.6%	10.0%	9.9%	10.3%	11.4%	11.8%	3.0%	3.1%	3.1%	3.2%	9.5	10.0
Mean Average (Fall 1998)	9.8%		10.1%		11.6%		3.1%		3.1%		9.8	
Mean Average (Spring 1998)	9.9%		10.3%		12.0%		2.7%		2.9%		8.7	
Change from Spring 1998	Down 11 Basis Pts		Down 23 Basis Pts		Down 41 Basis Pts		Up 37 Basis Pts		Up 24 Basis Pts		Increase 1.1 Yrs	
Median Average	9.8%		10.0%		11.8%		3.3%		3.0%		10.0	
Mode Average	10.5%		10.0%		12.5%		4.0%		3.0%		10.0	
Low within Range	8.5%	9.3%	9.0%	9.3%	10.5%	10.8%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
High within Range	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Class A - Value Added	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	2.0%	2.0%	2.5%	2.5%	7.0	10.0
	8.0%	9.0%	9.0%	9.5%	12.0%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%	11.5%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.0%	8.0%	10.0%	10.0%	13.0%	13.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
Number of Responses	4		4		4		4		4		4	
Mean Average (Low/High)	8.9%	9.1%	9.8%	9.9%	12.1%	12.3%	2.6%	2.9%	2.9%	3.1%	9.3	10.0
Mean Average (Fall 1998)	9.0%		9.8%		12.2%		2.8%		3.0%		9.6	
Mean Average (Spring 1998)	9.1%		9.9%		12.9%		2.9%		3.3%		8.3	
Change from Spring 1998	Down 10 Basis Pts		Down 9 Basis Pts		Down 71 Basis Pts		Down 15 Basis Pts		Down 30 Basis Pts		Increase 1.3 Yrs	
Median Average	9.3%		10.0%		12.0%		2.5%		3.0%		10.0	
Mode Average	8.0%		10.0%		12.0%		2.5%		2.5%		10.0	
Low within Range	8.0%	8.0%	9.0%	9.5%	11.5%	11.5%	2.0%	2.0%	2.5%	2.5%	7.0	10.0
High within Range	10.0%	10.0%	10.0%	10.0%	13.0%	13.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Class B - Value Added	11.5%	11.5%	12.5%	12.5%	13.5%	13.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
	9.0%	9.5%	10.0%	11.0%	12.5%	13.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.5%	10.5%	10.5%	10.5%	11.5%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	7.5%	7.5%	10.0%	10.0%	15.0%	12.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
Number of Responses	4		4		4		4		4		4	
Mean Average (Low/High)	9.6%	9.8%	10.8%	11.0%	13.1%	12.6%	2.5%	2.8%	2.9%	3.1%	9.3	10.0
Mean Average (Fall 1998)	9.7%		10.9%		12.9%		2.6%		3.0%		9.6	
Mean Average (Spring 1998)	10.2%		11.4%		14.4%		2.6%		2.9%		8.4	
Change from Spring 1998	Down 51 Basis Pts		Down 53 Basis Pts		Down 153 Basis Pts		Up 3 Basis Pts		Up 10 Basis Pts		Increase 1.2 Yrs	
Median Average	10.0%		10.5%		13.0%		2.5%		3.0%		10.0	
Mode Average	11.5%		10.0%		13.5%		2.5%		2.5%		10.0	
Low within Range	7.5%	7.5%	10.0%	10.0%	11.5%	11.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
High within Range	11.5%	11.5%	12.5%	12.5%	15.0%	13.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
Neighborhood & Community Centers (Overall Results)												
Number of Responses	21		21		20		21		21		20	
Mean Average (Low/High)	9.2%	9.6%	9.8%	10.1%	11.7%	11.9%	2.8%	3.0%	3.0%	3.2%	9.4	10.0
Mean Average (Fall 1998)	9.4%		10.0%		11.8%		2.9%		3.1%		9.7	

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Mean Average (Spring 1998)	9.6%		10.2%		12.4%		2.9%		3.1%		8.8	
Change from Spring 1998	Down 21 Basis Pts		Down 24 Basis Pts		Down 59 Basis Pts		Up 3 Basis Pts		Down 3 Basis Pts		Increase 0.9 Yrs	
Median Average	9.5%		10.0%		11.5%		3.0%		3.0%		10.0	
Mode Average	9.5%		10.0%		11.5%		2.5%		3.0%		10.0	
Low within Range	7.5%	7.5%	8.5%	9.0%	10.5%	10.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
High within Range	11.5%	11.5%	12.5%	12.5%	15.0%	13.5%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Power Center & "Big Box"												
Class A - Leased Asset	9.5%	9.5%	10.0%	10.0%	11.5%	11.5%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
	9.5%	10.0%	9.5%	10.0%	11.0%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.3%	9.3%	9.5%	10.0%	10.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	3		3		3		3		3		3	
Mean Average (Low/High)	9.3%	9.6%	9.6%	9.8%	10.8%	11.1%	2.2%	2.8%	2.5%	3.2%	9.0	10.0
Mean Average (Fall 1998)	9.5%		9.7%		11.0%		2.5%		2.8%		9.5	
Mean Average (Spring 1998)	9.6%		10.0%		11.5%		3.2%		3.4%		8.8	
Change from Spring 1998	Down 14 Basis Pts		Down 29 Basis Pts		Down 54 Basis Pts		Down 70 Basis Pts		Down 57 Basis Pts		Increase 0.7 Yrs	
Median Average	9.5%		9.8%		11.3%		2.8%		3.0%		10.0	
Mode Average	9.5%		10.0%		11.5%		3.0%		3.0%		10.0	
Low within Range	9.0%	9.3%	9.3%	9.5%	10.0%	10.3%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
High within Range	9.5%	10.0%	10.0%	10.0%	11.5%	11.5%	3.0%	3.5%	3.0%	3.5%	10.0	10.0
Class B - Leased Asset	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
	10.0%	10.5%	10.0%	10.5%	11.0%	11.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	2		2		2		2		2		2	
Mean Average (Low/High)	10.3%	10.5%	10.5%	10.8%	11.8%	11.9%	2.0%	2.5%	2.5%	3.0%	8.5	10.0
Mean Average (Fall 1998)	10.4%		10.6%		11.8%		2.3%		2.8%		9.3	
Mean Average (Spring 1998)	10.0%		10.5%		13.0%		3.0%		3.0%		5.0	
Change from Spring 1998	Up 37 Basis Pts		Up 13 Basis Pts		Down 119 Basis Pts		Down 75 Basis Pts		Down 25 Basis Pts		Increase 4.3 Yrs	
Median Average	10.5%		10.8%		11.9%		2.5%		3.0%		10.0	
Mode Average	10.5%		11.0%		12.5%		3.0%		3.0%		10.0	
Low within Range	10.0%	10.5%	10.0%	10.5%	11.0%	11.3%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
High within Range	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Class A - Value Added	10.0%	10.0%	10.5%	10.5%	12.0%	12.0%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
	8.0%	9.5%	9.5%	10.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
					11.5%	13.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	2		2		3		3		3		3	
Mean Average (Low/High)	9.0%	9.8%	10.0%	10.5%	11.7%	12.5%	2.2%	2.8%	2.5%	3.2%	9.0	10.0
Mean Average (Fall 1998)	9.4%		10.5%		12.0%		1.5%		2.5%		8.5	

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Mean Average (Spring 1998)	7.5%		10.3%		17.0%		3.0%		3.0%		5.0	
Change from Spring 1998	Up 188 Basis Pts		Up 20 Basis Pts		Down 500 Basis Pts		Down 150 Basis Pts		Down 50 Basis Pts		Increase 3.5 Yrs	
Median Average	9.8%		10.5%		12.0%		2.8%		3.0%		10.0	
Mode Average	10.0%		10.5%		12.0%		3.0%		3.0%		10.0	
Low within Range	8.0%	9.5%	9.5%	10.5%	11.5%	12.0%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
High within Range	10.0%	10.0%	10.5%	10.5%	12.0%	13.0%	3.0%	3.5%	3.0%	3.5%	10.0	10.0
Class B - Value Added	11.5%	11.5%	12.5%	12.5%	13.5%	13.5%	1.0%	2.0%	3.0%	3.0%	7.0	10.0
					12.5%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	1		1		2		2		2		2	
Mean Average (Low/High)	11.5%	11.5%	12.5%	12.5%	13.0%	14.3%	2.0%	2.5%	3.0%	3.0%	8.5	10.0
Mean Average (Fall 1998)	11.5%		12.5%		13.6%		2.3%		3.0%		9.3	
Mean Average (Spring 1998)	7.5%		10.5%		20.0%		3.0%		3.0%		5.0	
Change from Spring 1998	Up 400 Basis Pts		Up 200 Basis Pts		Down 638 Basis Pts		Down 75 Basis Pts		Up 0 Basis Pts		Increase 4.3 Yrs	
Median Average	11.5%		12.5%		13.5%		2.5%		3.0%		10.0	
Mode Average	11.5%		12.5%		13.5%		3.0%		3.0%		10.0	
Low within Range	11.5%	11.5%	12.5%	12.5%	12.5%	13.5%	1.0%	2.0%	3.0%	3.0%	7.0	10.0
High within Range	11.5%	11.5%	12.5%	12.5%	13.5%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Power Center & "Big Box" (Overall Results)												
Number of Responses	8		8		10		10		10		10	
Mean Average (Low/High)	9.8%	10.1%	10.3%	10.6%	11.7%	12.3%	2.1%	2.7%	2.6%	3.1%	8.8	10.0
Mean Average (Fall 1998)	9.9%		10.4%		12.0%		2.4%		2.9%		9.4	
Mean Average (Spring 1998)	9.1%		10.2%		13.7%		3.1%		3.2%		7.1	
Change from Spring 1998	Up 82 Basis Pts		Up 22 Basis Pts		Down 170 Basis Pts		Down 70 Basis Pts		Down 35 Basis Pts		Increase 2.3 Yrs	
Median Average	10.0%		10.3%		11.8%		2.8%		3.0%		10.0	
Mode Average	9.5%		10.0%		11.5%		3.0%		3.0%		10.0	
Low within Range	8.0%	9.3%	9.3%	9.5%	10.0%	10.3%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
High within Range	11.5%	11.5%	12.5%	12.5%	13.5%	15.0%	3.0%	3.5%	3.0%	3.5%	10.0	10.0
Regional Malls												
Class A - Leased Asset	7.8%	8.5%	8.3%	9.3%	10.5%	11.0%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.0%	8.0%	8.5%	8.5%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	7.0%	7.8%	7.3%	8.3%	10.0%	12.0%			2.0%	2.0%	10.0	10.0
	7.0%	9.0%	7.5%	9.5%	10.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	7.5%	8.0%	8.0%	8.5%	10.3%	10.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	5		5		5		4		5		5	
Mean Average (Low/High)	7.5%	8.3%	7.9%	8.8%	10.6%	11.5%	2.9%	3.4%	2.7%	3.1%	8.3	9.0
Mean Average (Fall 1998)	7.9%		8.4%		11.0%		3.1%		2.9%		9.0	
Mean Average (Spring 1998)	8.2%		8.6%		11.3%		3.7%		3.1%		8.3	
Change from Spring 1998	Down 35 Basis Pts		Down 25 Basis Pts		Down 28 Basis Pts		Down 58 Basis Pts		Down 20 Basis Pts		Increase 0.7 Yrs	
Median Average	7.9%		8.4%		10.8%		3.0%		3.0%		10.0	

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				**Internal Rate of Return**		**Growth Rate**				**Typical Projection Period (Years)**	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Mode Average	8.0%		8.5%		12.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	7.8%	7.3%	8.3%	10.0%	10.5%	2.5%	3.0%	2.0%	2.0%	5.0	5.0
High within Range	8.0%	9.0%	8.5%	9.5%	12.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
Class B - Leased Asset	9.0%	9.0%	9.5%	9.5%	14.0%	14.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.5%	8.8%	9.0%	9.0%	11.5%	13.0%			2.0%	2.0%		
	8.0%	10.0%	9.0%	10.0%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	3		3		3		2		3		2	
Mean Average (Low/High)	8.5%	9.3%	9.2%	9.5%	12.2%	12.8%	3.0%	3.0%	2.7%	2.7%	7.5	7.5
Mean Average (Fall 1998)	8.9%		9.3%		12.5%		3.0%		2.7%		7.5	
Mean Average (Spring 1998)	9.5%		8.5%		16.0%		4.0%		2.3%		4.0	
Change from Spring 1998	Down 62 Basis Pts		Up 83 Basis Pts		Down 350 Basis Pts		Down 100 Basis Pts		Up 37 Basis Pts		Increase 3.5 Yrs	
Median Average	8.9%		9.3%		12.3%		3.0%		3.0%		7.5	
Mode Average	9.0%		9.0%		14.0%		3.0%		3.0%		5.0	
Low within Range	8.0%	8.8%	9.0%	9.0%	11.0%	11.5%	3.0%	3.0%	2.0%	2.0%	5.0	5.0
High within Range	9.0%	10.0%	9.5%	10.0%	14.0%	14.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Class A - Value Added	7.5%	8.0%	8.3%	9.3%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	10.5%	10.5%	15.0%	15.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	9.0%	9.0%	9.5%	9.5%	12.0%	13.0%			2.0%	2.0%		
Number of Responses	3		3		3		2		3		2	
Mean Average (Low/High)	8.8%	9.0%	9.4%	9.8%	12.8%	13.5%	2.8%	3.3%	2.5%	2.8%	7.5	7.5
Mean Average (Fall 1998)	8.9%		9.6%		13.2%		3.0%		2.7%		7.5	
Mean Average (Spring 1998)	8.5%		8.0%		15.0%		3.0%		3.0%		5.0	
Change from Spring 1998	Up 42 Basis Pts		Up 158 Basis Pts		Down 183 Basis Pts		Up 0 Basis Pts		Down 33 Basis Pts		Increase 2.5 Yrs	
Median Average	9.0%		9.5%		12.8%		3.0%		2.8%		7.5	
Mode Average	10.0%		10.5%		15.0%		3.0%		3.0%		10.0	
Low within Range	7.5%	8.0%	8.3%	9.3%	11.5%	12.5%	2.5%	3.0%	2.0%	2.0%	5.0	5.0
High within Range	10.0%	10.0%	10.5%	10.5%	15.0%	15.0%	3.0%	3.5%	3.0%	3.5%	10.0	10.0
Class B - Value Added	11.0%	11.0%	11.5%	11.5%	18.0%	18.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	10.0%	13.3%	14.0%	14.3%	13.0%	18.0%			2.0%	2.0%	1.0	1.0
					12.0%	12.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Number of Responses	2		2		3		2		3		3	
Mean Average (Low/High)	10.5%	12.1%	12.8%	12.9%	14.3%	16.2%	3.0%	3.0%	2.7%	2.7%	5.3	5.3
Mean Average (Fall 1998)	11.3%		12.8%		15.3%		3.0%		2.7%		5.3	
Mean Average (Spring 1998)	9.5%		9.0%		18.0%		3.0%		3.0%		5.0	
Change from Spring 1998	Up 181 Basis Pts		Up 381 Basis Pts		Down 275 Basis Pts		Up 0 Basis Pts		Down 33 Basis Pts		Increase 0.3 Yrs	
Median Average	11.0%		12.8%		15.5%		3.0%		3.0%		5.0	
Mode Average	11.0%		11.5%		18.0%		3.0%		3.0%		5.0	

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Low within Range	10.0%	11.0%	11.5%	11.5%	12.0%	12.5%	3.0%	3.0%	2.0%	2.0%	1.0	1.0
High within Range	11.0%	13.3%	14.0%	14.3%	18.0%	18.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Regional Malls (Overall Results)												
Number of Responses	13		13		14		10		14		12	
Mean Average (Low/High)	8.5%	9.3%	9.3%	9.8%	12.2%	13.2%	2.9%	3.2%	2.6%	2.9%	7.6	7.6
Mean Average (Fall 1998)	8.6%		9.1%		12.5%		3.1%		2.9%		7.3	
Mean Average (Spring 1998)	8.6%		8.5%		13.2%		3.6%		2.9%		6.8	
Change from Spring 1998	Up 0 Basis Pts		Up 64 Basis Pts		Down 69 Basis Pts		Down 54 Basis Pts		Down 4 Basis Pts		Increase 0.5 Yrs	
Median Average	8.7%		9.3%		12.0%		3.0%		3.0%		10.0	
Mode Average	8.0%		9.5%		12.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	7.8%	7.3%	8.3%	10.0%	10.5%	2.5%	3.0%	2.0%	2.0%	1.0	1.0
High within Range	11.0%	13.3%	14.0%	14.3%	18.0%	18.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
RESIDENTIAL												
Apartments												
Class A - Leased Asset	8.5%	8.5%	9.0%	9.0%	11.0%	11.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.5%	8.5%	8.5%	8.5%					4.0%	4.0%	5.0	10.0
	8.5%	9.0%	9.0%	9.5%	11.0%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.0%	8.0%	8.0%	8.0%	12.0%	12.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	9.0%	9.0%	9.0%	9.0%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	7.5%	9.0%	8.0%	10.0%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.3%	9.0%	9.0%	9.5%	10.5%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.3%	9.3%	9.8%	9.8%	11.5%	11.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Number of Responses	8		8		7		7		8		8	
Mean Average (Low/High)	8.4%	8.8%	8.8%	9.2%	11.0%	11.4%	3.2%	3.6%	3.3%	3.6%	9.0	9.6
Mean Average (Fall 1998)	8.6%		9.0%		11.2%		3.4%		3.4%		9.3	
Mean Average (Spring 1998)	8.5%		9.0%		11.3%		3.2%		3.3%		9.3	
Change from Spring 1998	Up 11 Basis Pts		Down 3 Basis Pts		Down 9 Basis Pts		Up 23 Basis Pts		Up 14 Basis Pts		Increase 0.0 Yrs	
Median Average	8.5%		9.0%		11.3%		3.5%		3.5%		10.0	
Mode Average	8.5%		9.0%		10.5%		3.5%		3.0%		10.0	
Low within Range	7.5%	8.0%	8.0%	8.0%	10.5%	10.5%	2.5%	3.0%	2.5%	3.0%	5.0	7.0
High within Range	9.3%	9.3%	9.8%	10.0%	12.0%	12.0%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Class B - Leased Asset	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	9.0%	9.0%	9.5%	9.5%	13.0%	14.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%					4.0%	4.0%	5.0	10.0
	9.0%	9.5%	9.5%	10.0%	11.5%	12.0%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.3%	9.3%	9.3%	9.3%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.5%	9.3%	9.0%	9.5%	10.5%	11.5%	3.0%	3.0%	3.0%	3.0%	7.0	7.0
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	3.0	3.0
Number of Responses	8		8		7		7		8		8	

INVESTOR SURVEY

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Mean Average (Low/High)	9.2%	9.4%	9.5%	9.7%	11.8%	12.1%	3.2%	3.5%	3.3%	3.5%	8.1	8.8
Mean Average (Fall 1998)	9.3%		9.6%		12.0%		3.4%		3.4%		8.4	
Mean Average (Spring 1998)	9.1%		9.6%		12.8%		3.2%		3.1%		8.8	
Change from Spring 1998	Up 20 Basis Pts		Down 1 Basis Pts		Down 84 Basis Pts		Up 16 Basis Pts		Up 28 Basis Pts		Decrease 0.4 Yrs	
Median Average	9.3%		9.5%		12.0%		3.5%		3.3%		10.0	
Mode Average	9.5%		10.0%		12.0%		3.0%		3.0%		10.0	
Low within Range	8.5%	9.0%	9.0%	9.0%	10.5%	10.5%	2.5%	3.0%	2.5%	3.0%	3.0	3.0
High within Range	10.0%	10.0%	10.0%	10.0%	13.0%	14.0%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Class A - Value Added	9.0%	9.0%	9.5%	9.5%	11.5%	11.5%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	9.5%	9.5%	8.5%	8.5%					4.0%	4.0%	2.0	5.0
	8.0%	8.5%	9.0%	9.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	9.0%	9.0%	9.5%	9.5%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
Number of Responses	5		5		4		4		5		5	
Mean Average (Low/High)	8.9%	9.0%	9.1%	9.2%	11.8%	12.3%	3.1%	3.6%	3.3%	3.7%	6.8	7.4
Mean Average (Fall 1998)	9.0%		9.2%		12.0%		3.4%		3.5%		7.1	
Mean Average (Spring 1998)	9.1%		9.3%		14.2%		3.4%		3.1%		7.4	
Change from Spring 1998	Down 15 Basis Pts		Down 15 Basis Pts		Down 220 Basis Pts		Down 3 Basis Pts		Up 40 Basis Pts		Decrease 0.3 Yrs	
Median Average	9.0%		9.3%		11.8%		3.3%		3.8%		7.0	
Mode Average	9.0%		9.5%		11.5%		3.0%		4.0%		10.0	
Low within Range	8.0%	8.5%	8.5%	8.5%	11.0%	11.5%	2.5%	3.0%	2.5%	3.0%	2.0	5.0
High within Range	9.5%	9.5%	9.5%	9.5%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Class B - Value Added	10.5%	10.5%	11.0%	11.0%	13.5%	13.5%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	13.5%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	10.0%	10.0%	9.0%	9.0%	25.0%	25.0%	5.0%	5.0%	4.0%	4.0%	2.0	5.0
	8.5%	9.0%	9.5%	10.0%	12.0%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	9.0%	9.0%	14.0%	14.0%	6.0%	6.0%	4.0%	4.0%	5.0	5.0
	9.0%	9.0%	9.5%	9.5%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
Number of Responses	6		6		6		6		6		6	
Mean Average (Low/High)	9.4%	9.5%	9.5%	9.6%	15.1%	15.7%	3.8%	4.1%	3.3%	3.6%	7.0	7.5
Mean Average (Fall 1998)	9.5%		9.5%		15.4%		3.9%		3.4%		7.3	
Mean Average (Spring 1998)	9.8%		10.1%		16.4%		3.4%		3.0%		7.6	
Change from Spring 1998	Down 34 Basis Pts		Down 56 Basis Pts		Down 100 Basis Pts		Up 52 Basis Pts		Up 42 Basis Pts		Decrease 0.4 Yrs	
Median Average	9.5%		9.3%		13.8%		3.3%		3.3%		7.5	
Mode Average	10.0%		9.0%		25.0%		3.0%		3.0%		10.0	
Low within Range	8.5%	8.5%	9.0%	9.0%	11.0%	12.0%	2.5%	3.0%	2.5%	3.0%	2.0	5.0
High within Range	10.5%	10.5%	11.0%	11.0%	25.0%	25.0%	6.0%	6.0%	4.0%	4.0%	10.0	10.0
Apartments (Overall Results)												
Number of Responses	27		27		24		24		27		27	

INVESTOR SURVEY
Cushman & Wakefield Valuation Advisory Services
Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Mean Average (Low/High)	9.0%	9.2%	9.2%	9.4%	12.3%	12.7%	3.3%	3.7%	3.3%	3.6%	7.9	8.5
Mean Average (Fall 1998)	9.1%		9.3%		12.5%		3.5%		3.4%		8.2	
Mean Average (Spring 1998)	9.0%		9.4%		13.1%		3.3%		3.1%		8.5	
Change from Spring 1998	Up 6 Basis Pts		Down 9 Basis Pts		Down 61 Basis Pts		Up 22 Basis Pts		Up 33 Basis Pts		Decrease 0.3 Yrs	
Median Average	9.0%		9.3%		12.0%		3.5%		3.5%		10.0	
Mode Average	9.0%		9.0%		12.0%		3.0%		3.0%		10.0	
Low within Range	7.5%	8.0%	8.0%	8.0%	10.5%	10.5%	2.5%	3.0%	2.5%	3.0%	2.0	3.0
High within Range	10.5%	10.5%	11.0%	11.0%	25.0%	25.0%	6.0%	6.0%	4.0%	4.0%	10.0	10.0

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties.
"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues.

Summary of Overall Results By Property Type

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates: Going-In Low	Going-In High	Terminal Low	Terminal High	Internal Rate of Return Low	Internal Rate of Return High	Growth Rate: Income Low	Income High	Expenses Low	Expenses High	Typical Projection Period (Years) Low	High
OFFICE												
Urban/CBD Office (Overall Results)												
Number of Responses	27		27		23		27		27		20	
Mean Average (Low/High)	8.7%	9.1%	9.0%	9.4%	11.9%	12.5%	3.5%	3.5%	3.1%	3.3%	9.1	9.8
Mean Average (Fall 1998)	8.9%		9.2%		12.2%		3.5%		3.2%		9.4	
Mean Average (Spring 1998)	8.8%		9.4%		12.9%		3.4%		3.0%		6.8	
Change from Spring 1998	Up 9 Basis Pts		Down 17 Basis Pts		Down 70 Basis Pts		Up 8 Basis Pts		Up 17 Basis Pts		Increase 2.6 Yrs	
Median Average	9.0%		9.0%		12.0%		3.8%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		4.0%		3.0%		10.0	
Low within Range	7.0%	7.0%	8.0%	8.0%	10.0%	11.0%	2.0%	2.0%	2.5%	3.0%	3.0	7.0
High within Range	10.5%	10.5%	11.0%	11.0%	16.0%	16.0%	5.0%	5.0%	4.0%	4.0%	10.0	15.0
Suburban Office (Overall Results)												
Number of Responses	35		35		30		35		35		31	
Mean Average (Low/High)	8.7%	9.2%	9.2%	9.6%	11.6%	12.0%	3.4%	3.4%	3.0%	3.2%	9.2	9.8
Mean Average (Fall 1998)	8.9%		9.4%		11.8%		3.4%		3.1%		9.5	
Mean Average (Spring 1998)	8.9%		9.6%		12.7%		3.3%		3.1%		7.6	
Change from Spring 1998	Up 4 Basis Pts		Down 22 Basis Pts		Down 90 Basis Pts		Up 7 Basis Pts		Up 0 Basis Pts		Increase 1.9 Yrs	
Median Average	9.0%		9.3%		11.5%		3.3%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	8.0%	8.0%	8.0%	10.0%	10.5%	1.0%	1.0%	2.0%	3.0%	3.0	7.0
High within Range	10.5%	11.0%	11.0%	11.5%	15.0%	15.5%	5.0%	5.0%	3.5%	4.0%	10.0	10.0
INDUSTRIAL												
Warehouse/Distribution (Overall Results)												
Number of Responses	28		28		28		28		28		27	
Mean Average (Low/High)	8.8%	9.1%	9.6%	9.9%	11.4%	11.8%	2.9%	3.0%	2.9%	3.2%	9.2	9.6
Mean Average (Fall 1998)	9.0%		9.7%		11.6%		2.9%		3.1%		9.4	
Mean Average (Spring 1998)	9.0%		9.6%		12.3%		2.9%		2.9%		8.0	
Change from Spring 1998	Down 3 Basis Pts		Up 13 Basis Pts		Down 72 Basis Pts		Up 5 Basis Pts		Up 15 Basis Pts		Increase 1.4 Yrs	
Median Average	9.0%		9.5%		11.5%		3.0%		3.0%		10.0	
Mode Average	9.0%		9.0%		11.0%		3.5%		3.0%		10.0	
Low within Range	7.5%	7.5%	8.5%	8.5%	10.3%	10.5%	1.0%	1.0%	2.0%	3.0%	5.0	5.0
High within Range	10.5%	10.5%	11.0%	11.5%	14.0%	14.0%	4.0%	4.0%	3.5%	4.0%	10.0	10.0
Business Parks/ Other Industrial & Manufacturing (Overall Results)												
Number of Responses	16		16		16		16		16		16	
Mean Average (Low/High)	9.2%	9.4%	9.7%	10.0%	11.7%	12.0%	3.1%	3.1%	3.1%	3.1%	8.6	9.4
Mean Average (Fall 1998)	9.3%		9.8%		11.8%		3.1%		3.1%		9.0	
Mean Average (Spring 1998)	8.6%		9.5%		12.9%		3.3%		3.4%		7.4	
Change from Spring 1998	Up 70 Basis Pts		Up 34 Basis Pts		Down 108 Basis Pts		Down 24 Basis Pts		Down 27 Basis Pts		Increase 1.6 Yrs	
Median Average	9.3%		9.9%		11.8%		3.3%		3.0%		10.0	
Mode Average	9.5%		10.0%		12.0%		3.5%		3.0%		10.0	
Low within Range	8.0%	8.0%	9.0%	9.3%	10.8%	11.0%	2.0%	2.0%	3.0%	3.0%	5.0	5.0
High within Range	10.5%	10.5%	11.0%	11.0%	14.0%	14.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
RETAIL												
Neighborhood & Community Centers (Overall Results)												
Number of Responses	21		21		20		21		21		20	
Mean Average (Low/High)	9.2%	9.6%	9.8%	10.1%	11.7%	11.9%	2.8%	3.0%	3.0%	3.2%	9.4	10.0
Mean Average (Fall 1998)	9.4%		10.0%		11.8%		2.9%		3.1%		9.7	
Mean Average (Spring 1998)	9.6%		10.2%		12.4%		2.9%		3.1%		8.8	
Change from Spring 1998	Down 21 Basis Pts		Down 24 Basis Pts		Down 59 Basis Pts		Up 3 Basis Pts		Down 3 Basis Pts		Increase 0.9 Yrs	
Median Average	9.5%		10.0%		11.5%		3.0%		3.0%		10.0	
Mode Average	9.5%		10.0%		11.5%		2.5%		3.0%		10.0	
Low within Range	7.5%	7.5%	8.5%	9.0%	10.5%	10.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
High within Range	11.5%	11.5%	12.5%	12.5%	15.0%	13.5%	4.0%	4.0%	4.0%	4.0%	10.0	10.0
Power Center & "Big Box" (Overall Results)												
Number of Responses	8		8		10		10		10		10	
Mean Average (Low/High)	9.8%	10.1%	10.3%	10.6%	11.7%	12.3%	2.1%	2.7%	2.6%	3.1%	8.8	10.0
Mean Average (Fall 1998)	9.9%		10.4%		12.0%		2.4%		2.9%		9.4	
Mean Average (Spring 1998)	9.1%		10.2%		13.7%		3.1%		3.2%		7.1	
Change from Spring 1998	Up 82 Basis Pts		Up 22 Basis Pts		Down 170 Basis Pts		Down 70 Basis Pts		Down 35 Basis Pts		Increase 2.3 Yrs	
Median Average	10.0%		10.3%		11.8%		2.8%		3.0%		10.0	
Mode Average	9.5%		10.0%		11.5%		3.0%		3.0%		10.0	
Low within Range	8.0%	9.3%	9.3%	9.5%	10.0%	10.3%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
High within Range	11.5%	11.5%	12.5%	12.5%	13.5%	15.0%	3.0%	3.5%	3.0%	3.5%	10.0	10.0
Regional Malls (Overall Results)												
Number of Responses	13		13		14		10		14		12	
Mean Average (Low/High)	8.5%	9.3%	9.3%	9.8%	12.2%	13.2%	2.9%	3.2%	2.6%	2.9%	7.6	7.6
Mean Average (Fall 1998)	8.6%		9.1%		12.5%		3.1%		2.9%		7.3	
Mean Average (Spring 1998)	8.6%		8.5%		13.2%		3.6%		2.9%		6.8	
Change from Spring 1998	Up 0 Basis Pts		Up 64 Basis Pts		Down 69 Basis Pts		Down 54 Basis Pts		Down 4 Basis Pts		Increase 0.5 Yrs	
Median Average	8.7%		9.3%		12.0%		3.0%		3.0%		10.0	
Mode Average	8.0%		9.5%		12.0%		3.0%		3.0%		10.0	
Low within Range	7.0%	7.8%	7.3%	8.3%	10.0%	10.5%	2.5%	3.0%	2.0%	2.0%	1.0	1.0
High within Range	11.0%	13.3%	14.0%	14.3%	18.0%	18.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
RESIDENTIAL												
Apartments (Overall Results)												
Number of Responses	27		27		24		24		27		27	
Mean Average (Low/High)	9.0%	9.2%	9.2%	9.4%	12.3%	12.7%	3.3%	3.7%	3.3%	3.6%	7.9	8.5
Mean Average (Fall 1998)	9.1%		9.3%		12.5%		3.5%		3.4%		8.2	
Mean Average (Spring 1998)	9.0%		9.4%		13.1%		3.3%		3.1%		8.5	
Change from Spring 1998	Up 6 Basis Pts		Down 9 Basis Pts		Down 61 Basis Pts		Up 22 Basis Pts		Up 33 Basis Pts		Decrease 0.3 Yrs	
Median Average	9.0%		9.3%		12.0%		3.5%		3.5%		10.0	
Mode Average	9.0%		9.0%		12.0%		3.0%		3.0%		10.0	
Low within Range	7.5%	8.0%	8.0%	8.0%	10.5%	10.5%	2.5%	3.0%	2.5%	3.0%	2.0	3.0
High within Range	10.5%	10.5%	11.0%	11.0%	25.0%	25.0%	6.0%	6.0%	4.0%	4.0%	10.0	10.0

Summary of Weighted Averages

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
OFFICE												
Urban/CBD	**8.7%**	**9.1%**	**9.0%**	**9.4%**	**11.9%**	**12.5%**	**3.5%**	**3.5%**	**3.1%**	**3.3%**	**9.1**	**9.8**
Class A - Leased Asset	8.3%	8.7%	8.6%	9.1%	11.0%	11.5%	3.5%	3.6%	3.0%	3.3%	10.0	10.8
Class B - Leased Asset	9.0%	9.3%	9.4%	9.8%	11.4%	12.1%	3.1%	3.1%	3.0%	3.2%	9.3	10.0
Class A - Value Added	8.7%	9.0%	9.0%	9.2%	12.0%	12.3%	3.7%	3.7%	3.1%	3.3%	9.4	9.4
Class B - Value Added	8.9%	9.5%	9.4%	9.7%	13.3%	14.0%	3.4%	3.4%	3.1%	3.3%	7.4	8.8
Suburban	**8.7%**	**9.2%**	**9.2%**	**9.6%**	**11.6%**	**12.0%**	**3.4%**	**3.4%**	**3.0%**	**3.2%**	**9.2**	**9.8**
Class A - Leased Asset	8.5%	8.9%	8.8%	9.3%	10.7%	11.1%	3.1%	3.2%	3.0%	3.2%	9.7	10.0
Class B - Leased Asset	9.0%	9.3%	9.6%	9.9%	11.5%	11.8%	3.1%	3.1%	2.9%	3.2%	9.6	10.0
Class A - Value Added	8.5%	9.0%	9.0%	9.2%	12.3%	12.6%	3.8%	3.8%	3.1%	3.2%	8.6	9.6
Class B - Value Added	9.0%	9.6%	9.5%	9.8%	12.7%	13.5%	3.6%	3.6%	3.1%	3.2%	8.3	9.5
INDUSTRIAL												
Warehouse/Distribution	**8.8%**	**9.1%**	**9.6%**	**9.9%**	**11.4%**	**11.8%**	**2.9%**	**3.0%**	**2.9%**	**3.2%**	**9.2**	**9.6**
Class A - Leased Asset	8.5%	9.0%	9.1%	9.7%	10.6%	11.1%	2.8%	3.0%	2.9%	3.3%	9.6	10.0
Class B - Leased Asset	9.2%	9.4%	9.8%	10.1%	11.5%	11.8%	2.8%	2.9%	2.9%	3.1%	9.6	10.0
Class A - Value Added	8.6%	8.8%	9.6%	9.7%	11.7%	12.0%	3.0%	3.2%	3.0%	3.2%	8.7	9.2
Class B - Value Added	9.0%	9.2%	9.9%	10.1%	12.1%	12.4%	2.9%	3.1%	3.0%	3.2%	8.7	9.2
Business Parks/ Other Ind'l & Mfg	**9.2%**	**9.4%**	**9.7%**	**10.0%**	**11.7%**	**12.0%**	**3.1%**	**3.1%**	**3.1%**	**3.1%**	**8.6**	**9.4**
Class A - Leased Asset	9.1%	9.3%	9.3%	9.7%	11.1%	11.4%	3.1%	3.1%	3.1%	3.1%	9.3	10.0
Class B - Leased Asset	9.4%	9.8%	9.9%	10.2%	11.5%	11.6%	3.0%	3.0%	3.1%	3.1%	9.3	10.0
Class A - Value Added	8.9%	9.1%	9.7%	9.8%	11.9%	12.3%	3.1%	3.1%	3.1%	3.1%	8.0	8.8
Class B - Value Added	9.3%	9.5%	9.9%	10.2%	12.1%	12.6%	3.0%	3.0%	3.1%	3.1%	8.0	8.8

Summary of Weighted Averages

Cushman & Wakefield Valuation Advisory Services

Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Projection	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Years)	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
RETAIL												
Neighborhood & Community Centers	**9.2%**	**9.6%**	**9.8%**	**10.1%**	**11.7%**	**11.9%**	**2.8%**	**3.0%**	**3.0%**	**3.2%**	**9.4**	**10.0**
Class A - Leased Asset	8.7%	9.3%	9.1%	9.5%	10.9%	11.2%	2.9%	3.3%	2.9%	3.3%	9.5	10.0
Class B - Leased Asset	9.6%	10.0%	9.9%	10.3%	11.4%	11.8%	3.0%	3.1%	3.1%	3.2%	9.5	10.0
Class A - Value Added	8.9%	9.1%	9.8%	9.9%	12.1%	12.3%	2.6%	2.9%	2.9%	3.1%	9.3	10.0
Class B - Value Added	9.6%	9.8%	10.8%	11.0%	13.1%	12.6%	2.5%	2.8%	2.9%	3.1%	9.3	10.0
Power Center & "Big Box"	**9.8%**	**10.1%**	**10.3%**	**10.6%**	**11.7%**	**12.3%**	**2.1%**	**2.7%**	**2.6%**	**3.1%**	**8.8**	**10.0**
Class A - Leased Asset	9.3%	9.6%	9.6%	9.8%	10.8%	11.1%	2.2%	2.8%	2.5%	3.2%	9.0	10.0
Class B - Leased Asset	10.3%	10.5%	10.5%	10.8%	11.8%	11.9%	2.0%	2.5%	2.5%	3.0%	8.5	10.0
Class A - Value Added	9.0%	9.8%	10.0%	10.5%	11.7%	12.5%	2.2%	2.8%	2.5%	3.2%	9.0	10.0
Class B - Value Added	11.5%	11.5%	12.5%	12.5%	13.0%	14.3%	2.0%	2.5%	3.0%	3.0%	8.5	10.0
Regional Malls	**8.5%**	**9.3%**	**9.3%**	**9.8%**	**12.2%**	**13.2%**	**2.9%**	**3.2%**	**2.6%**	**2.9%**	**7.6**	**7.6**
Class A - Leased Asset	7.5%	8.3%	7.9%	8.8%	10.6%	11.5%	2.9%	3.4%	2.7%	3.1%	8.3	9.0
Class B - Leased Asset	8.5%	9.3%	9.2%	9.5%	12.2%	12.8%	3.0%	3.0%	2.7%	2.7%	7.5	7.5
Class A - Value Added	8.8%	9.0%	9.4%	9.8%	12.8%	13.5%	2.8%	3.3%	2.5%	2.8%	7.5	7.5
Class B - Value Added	10.5%	12.1%	12.8%	12.9%	14.3%	16.2%	3.0%	3.0%	2.7%	2.7%	5.3	5.3
RESIDENTIAL												
Apartments	**9.0%**	**9.2%**	**9.2%**	**9.4%**	**12.3%**	**12.7%**	**3.3%**	**3.7%**	**3.3%**	**3.6%**	**7.9**	**8.5**
Class A - Leased Asset	8.4%	8.8%	8.8%	9.2%	11.0%	11.4%	3.2%	3.6%	3.3%	3.6%	9.0	9.6
Class B - Leased Asset	9.2%	9.4%	9.5%	9.7%	11.8%	12.1%	3.2%	3.5%	3.3%	3.5%	8.1	8.8
Class A - Value Added	8.9%	9.0%	9.1%	9.2%	11.8%	12.3%	3.1%	3.6%	3.3%	3.7%	6.8	7.4
Class B - Value Added	9.4%	9.5%	9.5%	9.6%	15.1%	15.7%	3.8%	4.1%	3.3%	3.6%	7.0	7.5

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties.

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues.

Office Market

Urban / CBD

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-in		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	9.0%	9.0%	9.5%	9.5%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	7.0%	8.0%	8.0%	9.0%	10.0%	11.0%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	8.0%	9.5%	8.0%	10.5%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	7.5%	8.0%	8.3%	9.0%	10.3%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	15.0
	8.5%	8.5%	9.0%	9.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	13.0%	13.0%	4.0%	4.0%	3.0%	3.0%		
Responses	8	8	8	8	7	7	8	8	8	8	6	6
Average (%)	8.3%	8.7%	8.6%	9.1%	11.0%	11.5%	3.5%	3.6%	3.0%	3.3%	10.0	10.8
Class B - Leased Asset												
	10.0%	10.0%	10.5%	10.5%	12.5%	12.5%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	8.5%	8.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.0%	10.0%	11.0%	12.5%	3.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.5%	8.5%	9.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	11.3%	11.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Responses	5	5	5	5	4	4	5	5	5	5	4	4
Average (%)	9.0%	9.3%	9.4%	9.8%	11.4%	12.1%	3.1%	3.1%	3.0%	3.2%	9.3	10.0
Class A - Value Added												
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	7.0%	8.0%	8.0%	9.0%	10.0%	11.0%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	5.0%	5.0%	3.0%	3.0%	10.0	10.0
	8.5%	9.5%	8.3%	9.0%	11.8%	13.0%	3.0%	3.0%	3.0%	3.0%		
	9.0%	9.0%	9.5%	9.5%	14.0%	14.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Responses	7	7	7	7	6	6	7	7	7	7	5	5
Average (%)	8.7%	9.0%	9.0%	9.2%	12.0%	12.3%	3.7%	3.7%	3.1%	3.3%	9.4	9.4
Class B - Value Added												
	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.5%	9.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.0%	10.0%	12.0%	13.5%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%	12.0%	12.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	8.0%	10.5%	9.0%	10.0%	12.5%	15.0%	3.0%	3.0%	3.0%	3.0%	3.0	7.0
	8.8%	8.8%	9.3%	9.3%	16.0%	16.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	7.0%	7.0%	9.0%	9.0%	15.0%	15.0%	4.0%	4.0%	3.0%	3.0%		
Responses	7	7	7	7	6	6	7	7	7	7	5	5
Average (%)	8.9%	9.5%	9.4%	9.7%	13.3%	14.0%	3.4%	3.4%	3.1%	3.3%	7.4	8.8
Total Responses	**27**	**27**	**27**	**27**	**23**	**23**	**27**	**27**	**27**	**27**	**20**	**20**
Weighted Average (%)	**8.7%**	**9.1%**	**9.0%**	**9.4%**	**11.9%**	**12.5%**	**3.5%**	**3.5%**	**3.1%**	**3.3%**	**9.1**	**9.8**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Office Market

Suburban / Non-CBD

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	9.0%	9.0%	9.5%	9.5%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	8.5%	8.5%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	8.0%	9.0%	8.5%	9.5%	10.0%	11.0%	3.0%	3.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	8.5%	8.5%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	11.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	8.0%	10.0%	9.0%	11.5%	11.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.0%	9.0%	8.0%	9.0%	10.0%	10.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.0%	9.0%	8.5%	9.5%	10.5%	11.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.3%	9.3%	11.0%	11.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	11	11	11	11	10	10	11	11	11	11	10	10
Average (%)	8.5%	8.9%	8.8%	9.3%	10.7%	11.1%	3.1%	3.2%	3.0%	3.2%	9.7	10.0
Class B - Leased Asset												
	10.0%	10.0%	10.5%	10.5%	12.5%	12.5%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	8.5%	8.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.5%	10.5%	11.5%	12.5%	3.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	11.0%	11.0%	12.0%	12.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	9.0%	9.5%	9.0%	9.8%	10.5%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.5%	10.5%	11.5%	12.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	11.5%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.3%	9.3%	9.5%	9.5%	11.5%	11.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	9	9	9	9	8	8	9	9	9	9	8	8
Average (%)	9.0%	9.3%	9.6%	9.9%	11.5%	11.8%	3.1%	3.1%	2.9%	3.2%	9.6	10.0
Class A - Value Added												
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	9.0%	9.0%	8.0%	8.0%			4.0%	4.0%	3.5%	3.5%		
	8.0%	9.0%	8.5%	9.5%	11.0%	12.0%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	5.0%	5.0%	3.0%	3.0%	10.0	10.0
	8.0%	8.0%	9.0%	9.0%	11.5%	11.5%	5.0%	5.0%	3.5%	3.5%	10.0	10.0
	7.0%	10.0%	8.8%	9.5%	11.8%	13.0%	3.0%	3.0%	3.0%	3.0%	3.0	7.0
	9.0%	9.0%	9.5%	9.5%	15.0%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.3%	8.3%	9.3%	9.3%	13.5%	13.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	8	8	8	8	7	7	8	8	8	8	7	7
Average (%)	8.5%	9.0%	9.0%	9.2%	12.3%	12.6%	3.8%	3.8%	3.1%	3.2%	8.6	9.6
Class B - Value Added												
	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	3.0%	3.0%	3.0%	3.0%	7.0	10.0
	9.5%	9.5%	8.5%	8.5%			4.0%	4.0%	3.5%	3.5%		
	8.5%	10.0%	9.5%	10.5%	12.0%	13.5%	4.0%	4.0%	2.5%	3.5%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	12.0%	12.0%	5.0%	5.0%	3.5%	3.5%	10.0	10.0
	8.5%	11.0%	9.5%	10.5%	12.8%	15.5%	3.0%	3.0%	3.0%	3.0%	3.0	7.0
	8.8%	8.8%	9.3%	9.3%			3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.8%	9.8%	14.0%	14.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	7	7	7	7	5	5	7	7	7	7	6	6
Average (%)	9.0%	9.6%	9.5%	9.8%	12.7%	13.5%	3.6%	3.6%	3.1%	3.2%	8.3	9.5
Total Responses	**35**	**35**	**35**	**35**	**30**	**30**	**35**	**35**	**35**	**35**	**31**	**31**
Weighted Average (%)	**8.7%**	**9.2%**	**9.2%**	**9.6%**	**11.6%**	**12.0%**	**3.4%**	**3.4%**	**3.0%**	**3.2%**	**9.2**	**9.8**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Industrial Market

Warehouse / Distribution

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	9.0%	9.0%	9.5%	9.5%	11.0%	11.5%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	8.0%	9.0%	9.0%	9.5%	10.5%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.5%	8.5%	8.5%	8.5%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	11.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	8.0%	10.0%	8.5%	11.5%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.3%	9.5%	9.0%	10.0%	10.3%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.5%	9.5%	10.5%	10.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	10.5%	10.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	8	8	8	8	8	8	8	8	8	8	8	8
Average (%)	8.5%	9.0%	9.1%	9.7%	10.6%	11.1%	2.8%	3.0%	2.9%	3.3%	9.6	10.0
Class B - Leased Asset												
	10.5%	10.5%	11.0%	11.0%	12.0%	12.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.0%	10.0%	9.5%	10.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.5%	10.5%	12.0%	12.0%	1.0%	1.0%	2.0%	3.0%	10.0	10.0
	8.5%	9.3%	9.0%	10.0%	10.3%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	9.5%	9.5%	11.5%	11.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	13.0%	13.0%	4.0%	4.0%	3.0%	3.0%		
Responses	8	8	8	8	8	8	8	8	8	8	7	7
Average (%)	9.2%	9.4%	9.8%	10.1%	11.5%	11.8%	2.8%	2.9%	2.9%	3.1%	9.6	10.0
Class A - Value Added												
	9.5%	9.5%	10.0%	10.0%	11.5%	11.5%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	8.0%	9.0%	9.0%	9.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.3%	9.3%	8.5%	8.5%	11.5%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.0%	8.0%	11.0%	11.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.0%	8.0%	9.0%	9.0%	13.5%	13.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	6	6	6	6	6	6	6	6	6	6	6	6
Average (%)	8.6%	8.8%	9.6%	9.7%	11.7%	12.0%	3.0%	3.2%	3.0%	3.2%	8.7	9.2
Class B - Value Added												
	10.5%	10.5%	11.0%	11.0%	12.5%	13.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.0%	10.0%	9.5%	10.5%	12.0%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.5%	9.5%	9.0%	9.0%	12.0%	12.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	7.5%	7.5%	11.0%	11.0%	11.0%	11.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	14.0%	14.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	6	6	6	6	6	6	6	6	6	6	6	6
Average (%)	9.0%	9.2%	9.9%	10.1%	12.1%	12.4%	2.9%	3.1%	3.0%	3.2%	8.7	9.2
Total Responses	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**27**	**27**
Weighted Average (%)	**8.8%**	**9.1%**	**9.6%**	**9.9%**	**11.4%**	**11.8%**	**2.9%**	**3.0%**	**2.9%**	**3.2%**	**9.2**	**9.6**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Industrial Market

Business Parks, Other Industrial and Manufacturing

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	9.5%	9.5%	10.0%	10.0%	11.5%	12.0%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	9.0%	9.5%	9.0%	9.5%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.5%	9.0%	10.0%	10.8%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.3%	9.3%	11.3%	11.3%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	4	4	4	4	4	4	4	4	4	4	4	4
Average (%)	9.1%	9.3%	9.3%	9.7%	11.1%	11.4%	3.1%	3.1%	3.1%	3.1%	9.3	10.0
Class B - Leased Asset												
	10.5%	10.5%	11.0%	11.0%	12.0%	12.0%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.5%	10.0%	9.5%	10.0%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.5%	9.5%	9.5%	10.0%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.3%	9.3%	9.8%	9.8%	12.0%	12.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	4	4	4	4	4	4	4	4	4	4	4	4
Average (%)	9.4%	9.8%	9.9%	10.2%	11.5%	11.6%	3.0%	3.0%	3.1%	3.1%	9.3	10.0
Class A - Value Added												
	10.0%	10.0%	10.5%	10.5%	12.0%	12.0%	2.5%	2.5%	3.0%	3.0%	7.0	10.0
	8.5%	9.5%	9.0%	9.5%	11.0%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.0%	8.0%	9.3%	9.3%	13.5%	13.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	4	4	4	4	4	4	4	4	4	4	4	4
Average (%)	8.9%	9.1%	9.7%	9.8%	11.9%	12.3%	3.1%	3.1%	3.1%	3.1%	8.0	8.8
Class B - Value Added												
	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	2.0%	2.0%	3.0%	3.0%	7.0	10.0
	9.0%	10.0%	9.0%	10.0%	11.0%	12.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	9.0%	9.0%	10.0%	10.0%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
	8.5%	8.5%	9.8%	9.8%	14.0%	14.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	4	4	4	4	4	4	4	4	4	4	4	4
Average (%)	9.3%	9.5%	9.9%	10.2%	12.1%	12.6%	3.0%	3.0%	3.1%	3.1%	8.0	8.8
Total Responses	**16**	**16**	**16**	**16**	**16**	**16**	**16**	**16**	**16**	**16**	**16**	**16**
Weighted Average (%)	**9.2%**	**9.4%**	**9.7%**	**10.0%**	**11.7%**	**12.0%**	**3.1%**	**3.1%**	**3.1%**	**3.1%**	**8.6**	**9.4**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Retail Market

Neighborhood and Community Centers

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	9.0%	9.0%	9.5%	9.5%	11.5%	11.5%	2.0%	2.0%	2.5%	2.5%	7.0	10.0
	8.5%	9.5%	9.0%	9.5%	11.0%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.0%	10.0%	8.5%	10.5%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	9.0%	9.3%	9.3%	9.5%	10.8%	10.8%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	8.8%	8.8%	9.3%	9.3%	11.0%	11.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
Responses	6	6	6	6	6	6	6	6	6	6	6	6
Average (%)	8.7%	9.3%	9.1%	9.5%	10.9%	11.2%	2.9%	3.3%	2.9%	3.3%	9.5	10.0
Class B - Leased Asset												
	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
	9.5%	10.5%	10.0%	11.0%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.3%	9.3%	9.3%	9.3%	11.0%	11.0%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.5%	9.5%	9.0%	10.0%	10.5%	12.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	10.0%	10.5%	10.0%	10.5%	10.8%	10.8%	4.0%	4.0%	3.0%	3.0%	10.0	10.0
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%			4.0%	4.0%	4.0%	4.0%		
Responses	7	7	7	7	6	6	7	7	7	7	6	6
Average (%)	9.6%	10.0%	9.9%	10.3%	11.4%	11.8%	3.0%	3.1%	3.1%	3.2%	9.5	10.0
Class A - Value Added												
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	2.0%	2.0%	2.5%	2.5%	7.0	10.0
	8.0%	9.0%	9.0%	9.5%	12.0%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%	11.5%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.0%	8.0%	10.0%	10.0%	13.0%	13.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
Responses	4	4	4	4	4	4	4	4	4	4	4	4
Average (%)	8.9%	9.1%	9.8%	9.9%	12.1%	12.3%	2.6%	2.9%	2.9%	3.1%	9.3	10.0
Class B - Value Added												
	11.5%	11.5%	12.5%	12.5%	13.5%	13.5%	1.5%	1.5%	2.5%	2.5%	7.0	10.0
	9.0%	9.5%	10.0%	11.0%	12.5%	13.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.5%	10.5%	10.5%	10.5%	11.5%	11.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	7.5%	7.5%	10.0%	10.0%	15.0%	12.0%	2.5%	2.5%	3.0%	3.0%	10.0	10.0
Responses	4	4	4	4	4	4	4	4	4	4	4	4
Average (%)	9.6%	9.8%	10.8%	11.0%	13.1%	12.6%	2.5%	2.8%	2.9%	3.1%	9.3	10.0
Total Responses	**21**	**21**	**21**	**21**	**20**	**20**	**21**	**21**	**21**	**21**	**20**	**20**
Weighted Average (%)	**9.2%**	**9.6%**	**9.8%**	**10.1%**	**11.7%**	**11.9%**	**2.8%**	**3.0%**	**3.0%**	**3.2%**	**9.4**	**10.0**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Retail Market

Power Center & "Big Box"

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	9.5%	9.5%	10.0%	10.0%	11.5%	11.5%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
	9.5%	10.0%	9.5%	10.0%	11.0%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.3%	9.3%	9.5%	10.0%	10.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Responses	3	3	3	3	3	3	3	3	3	3	3	3
Average (%)	9.3%	9.6%	9.6%	9.8%	10.8%	11.1%	2.2%	2.8%	2.5%	3.2%	9.0	10.0
Class B - Leased Asset												
	10.5%	10.5%	11.0%	11.0%	12.5%	12.5%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
	10.0%	10.5%	10.0%	10.5%	11.0%	11.3%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Responses	2	2	2	2	2	2	2	2	2	2	2	2
Average (%)	10.3%	10.5%	10.5%	10.8%	11.8%	11.9%	2.0%	2.5%	2.5%	3.0%	8.5	10.0
Class A - Value Added												
	10.0%	10.0%	10.5%	10.5%	12.0%	12.0%	1.0%	2.0%	2.0%	3.0%	7.0	10.0
	8.0%	9.5%	9.5%	10.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
					11.5%	13.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Responses	2	2	2	2	3	3	3	3	3	3	3	3
Average (%)	9.0%	9.8%	10.0%	10.5%	11.7%	12.5%	2.2%	2.8%	2.5%	3.2%	9.0	10.0
Class B - Value Added												
	11.5%	11.5%	12.5%	12.5%	13.5%	13.5%	1.0%	2.0%	3.0%	3.0%	7.0	10.0
					12.5%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
Responses	1	1	1	1	2	2	2	2	2	2	2	2
Average (%)	11.5%	11.5%	12.5%	12.5%	13.0%	14.3%	2.0%	2.5%	3.0%	3.0%	8.5	10.0
Total Responses	**8**	**8**	**8**	**8**	**10**	**10**	**10**	**10**	**10**	**10**	**10**	**10**
Weighted Average (%)	**9.8%**	**10.1%**	**10.3%**	**10.6%**	**11.7%**	**12.3%**	**2.1%**	**2.7%**	**2.6%**	**3.1%**	**8.8**	**10.0**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties.

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Retail Market

Regional Malls

Fall 1998

	Capitalization Rates				Internal		Growth Rate				Typical Project	
	Going-In		Terminal		Rate of Return		Income		Expenses		Period (Year	
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	Hi
Class A - Leased Asset												
	7.8%	8.5%	8.3%	9.3%	10.5%	11.0%	2.5%	3.5%	2.5%	3.5%	10.0	10
	8.0%	8.0%	8.5%	8.5%	12.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.
	7.0%	7.8%	7.3%	8.3%	10.0%	12.0%			2.0%	2.0%	10.0	10
	7.0%	9.0%	7.5%	9.5%	10.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10
	7.5%	8.0%	8.0%	8.5%	10.3%	10.5%	3.0%	3.0%	3.0%	3.0%	10.0	10
Responses	5	5	5	5	5	5	4	4	5	5	5	5
Average (%)	7.5%	8.3%	7.9%	8.8%	10.6%	11.5%	2.9%	3.4%	2.7%	3.1%	9.0	9.
Class B - Leased Asset												
	9.0%	9.0%	9.5%	9.5%	14.0%	14.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.
	8.5%	8.8%	9.0%	9.0%	11.5%	13.0%			2.0%	2.0%		
	8.0%	10.0%	9.0%	10.0%	11.0%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.
Responses	3	3	3	3	3	3	2	2	3	3	2	2
Average (%)	8.5%	9.3%	9.2%	9.5%	12.2%	12.8%	3.0%	3.0%	2.7%	2.7%	7.5	7.
Class A - Value Added												
	7.5%	8.0%	8.3%	9.3%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.
	10.0%	10.0%	10.5%	10.5%	15.0%	15.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.
	9.0%	9.0%	9.5%	9.5%	12.0%	13.0%			2.0%	2.0%		
Responses	3	3	3	3	3	3	2	2	3	3	2	2
Average (%)	8.8%	9.0%	9.4%	9.8%	12.8%	13.5%	2.8%	3.3%	2.5%	2.8%	7.5	7.
Class B - Value Added												
	11.0%	11.0%	11.5%	11.5%	18.0%	18.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.
	10.0%	13.3%	14.0%	14.3%	13.0%	18.0%			2.0%	2.0%	1.0	1.
					12.0%	12.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.
Responses	2	2	2	2	3	3	2	2	3	3	3	3
Average (%)	10.5%	12.1%	12.8%	12.9%	14.3%	16.2%	3.0%	3.0%	2.7%	2.7%	5.3	5.3
Total Responses	**13**	**13**	**13**	**13**	**14**	**14**	**10**	**10**	**14**	**14**	**12**	**12**
Weighted Average (%)	**8.5%**	**9.3%**	**9.3%**	**9.8%**	**12.2%**	**13.2%**	**2.9%**	**3.2%**	**2.6%**	**2.9%**	**7.6**	**7.6**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

Residential

Apartments

Fall 1998

	Capitalization Rates				Internal Rate of Return		Growth Rate				Typical Projection Period (Years)	
	Going-In		Terminal				Income		Expenses			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Class A - Leased Asset												
	8.5%	8.5%	9.0%	9.0%	11.0%	11.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.5%	8.5%	8.5%	8.5%					4.0%	4.0%	5.0	10.0
	8.5%	9.0%	9.0%	9.5%	11.0%	11.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	8.0%	8.0%	8.0%	8.0%	12.0%	12.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	9.0%	9.0%	9.0%	9.0%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	7.5%	9.0%	8.0%	10.0%	10.5%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.3%	9.0%	9.0%	9.5%	10.5%	11.5%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.3%	9.3%	9.8%	9.8%	11.5%	11.5%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
Responses	8	8	8	8	7	7	7	7	8	8	8	8
Average (%)	8.4%	8.8%	8.8%	9.2%	11.0%	11.4%	3.2%	3.6%	3.3%	3.6%	9.0	9.6
Class B - Leased Asset												
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	9.0%	9.0%	9.5%	9.5%	13.0%	14.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%					4.0%	4.0%	5.0	10.0
	9.0%	9.5%	9.5%	10.0%	11.5%	12.0%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.3%	9.3%	9.3%	9.3%	10.5%	10.5%	3.5%	3.5%	3.5%	3.5%	10.0	10.0
	8.5%	9.3%	9.0%	9.5%	10.5%	11.5%	3.0%	3.0%	3.0%	3.0%	7.0	7.0
	9.5%	9.5%	10.0%	10.0%	12.0%	12.0%	3.5%	3.5%	3.0%	3.0%	10.0	10.0
	10.0%	10.0%	10.0%	10.0%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	3.0	3.0
Responses	8	8	8	8	7	7	7	7	8	8	8	8
Average (%)	9.2%	9.4%	9.5%	9.7%	11.8%	12.1%	3.2%	3.5%	3.3%	3.5%	8.1	8.8
Class A - Value Added												
	9.0%	9.0%	9.5%	9.5%	11.5%	11.5%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	9.5%	9.5%	8.5%	8.5%					4.0%	4.0%	2.0	5.0
	8.0%	8.5%	9.0%	9.5%	11.5%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	9.0%	9.0%	9.0%	9.0%	13.0%	13.0%	4.0%	4.0%	4.0%	4.0%	7.0	7.0
	9.0%	9.0%	9.5%	9.5%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
Responses	5	5	5	5	4	4	4	4	5	5	5	5
Average (%)	8.9%	9.0%	9.1%	9.2%	11.8%	12.3%	3.1%	3.6%	3.3%	3.7%	6.8	7.4
Class B - Value Added												
	10.5%	10.5%	11.0%	11.0%	25.0%	25.0%	3.0%	4.0%	3.0%	4.0%	10.0	10.0
	8.5%	8.5%	9.0%	9.0%	13.5%	15.0%	3.0%	3.0%	3.0%	3.0%	10.0	10.0
	10.0%	10.0%	9.0%	9.0%			5.0%	5.0%	4.0%	4.0%	2.0	5.0
	8.5%	9.0%	9.5%	10.0%	12.0%	12.5%	2.5%	3.5%	2.5%	3.5%	10.0	10.0
	10.0%	10.0%	9.0%	9.0%	14.0%	14.0%	6.0%	6.0%	4.0%	4.0%	5.0	5.0
	9.0%	9.0%	9.5%	9.5%	11.0%	12.0%	3.0%	3.0%	3.0%	3.0%	5.0	5.0
Responses	6	6	6	6	5	5	6	6	6	6	6	6
Average (%)	9.4%	9.5%	9.5%	9.6%	15.1%	15.7%	3.8%	4.1%	3.3%	3.6%	7.0	7.5
Total Responses	**27**	**27**	**27**	**27**	**23**	**23**	**24**	**24**	**27**	**27**	**27**	**27**
Weighted Average (%)	**9.0%**	**9.2%**	**9.2%**	**9.4%**	**12.3%**	**12.7%**	**3.3%**	**3.7%**	**3.3%**	**3.6%**	**7.9**	**8.5**

"Leased Asset" refers to predominantly "passive" investments involving substantially leased Properties

"Value Added" denotes properties which require more active management involvement due to leasing issues and/or additional capital investment for physical issues

APPRAISERS' QUALIFICATIONS

Donald R. Morris, MAI

Professional Affiliations:

Member of the Appraisal Institute (MAI Designation #9812)
District of Columbia Certified General Real Estate Appraiser (#GA00010267)
Commonwealth of Virginia Certified General Real Estate Appraiser (#4001002465)
State of Maryland Certified General Real Estate Appraiser (#7220)
State of West Virginia Certified General Real Estate Appraiser (#237)

Appraisal/Real Estate Experience:

Area Manager, Cushman & Wakefield's Mid Atlantic Region (Philadelphia and Washington, D.C. offices), Valuation Advisory Services, July 1997 to present. Received Cushman & Wakefield's Francis R. Corcoran Award for Valuation Advisory Services Manager of the Year in 1997.

Director/Manager, Cushman & Wakefield of Washington, D.C. and Assistant Manager, Cushman & Wakefield of Texas, Inc., Dallas, Texas, Valuation Advisory Services, a full service real estate organization specializing in appraisal and consultation. April 1990 to July 1997.

Associate Appraiser, Joseph A. Dengel & Company, Dallas, Texas, May 1977 to April 1990.

Other real estate experience includes work as a residential listing and selling agent preparing market analyses and origination contracts. Mr. Morris has taught Real Estate Appraisal courses through the George Leonard School of Real Estate in Dallas, Texas.

Experience includes appraisal of the following types of property:

Office Buildings
Regional Malls
Outlet Centers
Department Stores
Residential Subdivisions
Multi-Family Properties
Subdivision Analysis
Mixed Use Properties
Grape Vineyards
Commercial Land
Ad Valorem Tax Appeals
Medical Office Buildings
Power Centers
Community & Neighborhood Shopping Centers
Industrial Buildings
Single Family Residences
Condominiums/Duplexes
Farm/Ranch
Golf Courses
Special Purpose Facilities
Hotel/Motel

Appraisal and consulting services used for mortgage loans, relocations, gift and estate tax, condemnation and litigation purposes. Qualified as an expert witness in state and federal real estate court cases.

Donald R. Morris, MAI

Education:

Bachelor of Arts (Political Science), 1981
University of Texas at Arlington, Arlington, Texas.

Appraisal Institute Courses:

#1A1 - Real Estate Appraisal Principles
#1A2 - Basic Valuation Procedures
#1B1 - Capitalization Theory & Techniques, Part A
#1B2 - Capitalization Theory & Techniques, Part B
#410 - Standards of Professional Appraisal Practice, Part A (USPAP)
#420 - Standards of Professional Appraisal Practice, Part B (AI)
#21 - Case Studies in Real Estate Valuation
#22 - Report Writing and Valuation Analysis
#82 - Residential Valuation Procedures

Additional Accredited Real Estate Courses:

Real Estate Appraisal
Principles of Real Estate
Real Estate Marketing
Real Estate Finance
Property Management

Federal National Mortgage Corporation (Fannie Mae) - Appraisal Training

Certified in the Appraisal's Institute's voluntary program of continuing education for its designated members.

Neal A. Eaton, MAI

Professional Affiliations:

Member of the Appraisal Institute (MAI Designation #9508)
Commonwealth of Virginia Certified General Real Estate Appraiser (#4001002962)
State of Maryland Certified General Real Estate Appraiser (#456)

Appraisal/Real Estate Experience:

Senior Appraiser, Cushman & Wakefield of Washington, D.C., Inc., Washington, D.C., Valuation Advisor Services, a full service real estate organization specializing in appraisal and consultation. April 1998 to present

Collateral Analyst, Federal Home Loan Mortgage Corporation (Freddie Mac), McLean, Virginia, Risk Management Department, Multi-Family Division, October 1995 to April 1998.

Vice President/Manager, Legg Mason Realty Group, Inc. Baltimore, Maryland, Washington, D.C. regional office. Established and managed the Washington, D.C. regional office. November 1990 to October 1995.

Assistant Vice President, Maryland National Bank, Baltimore, Maryland, Appraisal and Appraisal Review Services, analyzed MNB corporate real estate holdings. July 1984 to November 1990.

Assessor III, Maryland State Department of Assessments and Taxation, Annapolis, Maryland, Ad Valorem assessments on residential and commercial properties. July 1979 to July 1984.

Office Buildings	Medical Office Buildings
Regional Malls	Power Centers
Outlet Centers	Community & Neighborhood Shopping Centers
Department Stores	Industrial Buildings
Residential Subdivisions	Single Family Residences
Multi-Family Properties	Condominiums/Duplexes
Subdivision Analysis	Golf Courses
Mixed Use Properties	Special Purpose Facilities
Hotel/Motel	Religious and Educational Facilities
Commercial Land	Ad Valorem Tax Appeals

Qualified as an expert witness in U.S. Bankruptcy Court, Maryland Tax Court and Maryland District Court.

Neal A. Eaton, MAI

Education:

Bachelor of Arts (English), 1976.
University of Maryland, College Park, Maryland.

Appraisal Institute Courses:

#1A1 - Real Estate Appraisal Principles
#1A2 - Basic Valuation Procedures
#1B1 - Capitalization Theory & Techniques, Part A
#1B2 - Capitalization Theory & Techniques, Part B
#410 - Standards of Professional Appraisal Practice, Part A (USPAP)
#420 - Standards of Professional Appraisal Practice, Part B (AI)
#21 - Case Studies in Real Estate Valuation
#22 - Report Writing and Valuation Analysis
#510 - Advanced Income Capitalization

Additional Accredited Real Estate Courses:

Construction Lending (Mortgage Bankers Association)
Detrimental Conditions (Appraisal Institute)

Certified in the Appraisal's Institute's voluntary program of continuing education for its designated members.

Thomas J. Frye

Professional Affiliations:

Affiliate Member of the Appraisal Institute

Appraisal/Real Estate Experience:

Junior Appraiser, Cushman & Wakefield of Washington, D.C., Inc., Washington, D.C., Valuation Advisory Services Group, a few service real estate organization specializing in appraisal and consultation. June 1998 to present.

Associate Appraiser, Lipman, Frizzell & Mitchell, Silver Spring, Maryland. Assisted in all phases of residential and commercial appraisal preparation. November 1997 to June 1998.

CRA Specialist/Loan Officer, Signet Bank, Vienna, Virginia. Reviewed financial statements, credit reports and underwriting guidelines to determine the appropriate type of mortgage loan for clients. July 1993 to November 1997. (Employed full time while working at M&B Appraisal Group part time)

Appraisal Intern, M&B Appraisal Group, Bethesda, Maryland. Assisted in all phases of residential and commercial appraisal preparation. July 1993 to November 1997. (Employed part time while working at Signet Bank full time.)

Fair Housing Reference Specialist, Aspen Systems Corporation. Prepared and presented statistical and demographic reports for the U.S. Department of Housing and Urban Development, Office of Fair Housing and Equal Opportunity. October 1991 to July 1993.

Sales Associate, I.W. Levin Company, Philadelphia, Pennsylvania, Performed all duties related to residential real estate sales and leasing transactions including negotiations, market analysis, buyer qualification, etc. July 1990 to October 1991

Education:

Bachelor of Business Administration (Real Estate), 1993
Temple University, Philadelphia, Pennsylvania

Bachelor of Arts (Economics), 1987
University of Maryland, College Park, Maryland

LIMITED APPRAISAL
OF REAL PROPERTY

The Proposed Henry Adams House Apartments
29th and Calvert Streets, N.W.
Washington, D.C. 20008

IN A RESTRICTED USE REPORT

As of November 1, 1999

Prepared For:

PaineWebber
1285 Avenue of Americas
New York, NY 10019

Prepared By:

Cushman & Wakefield of Washington, D.C., Inc.
Valuation Advisory Services
1801 K Street, NW, Suite 1100L
Washington, D.C. 20006

CUSHMAN & WAKEFIELD®

Cushman & Wakefield of
Washington, D.C., Inc.
1801 K Street, NW, Suite 1100L
Washington, D.C. 20006
(202) 467-0600

November 1, 1999

Ms. Freda Wang
PaineWebber
1285 Avenue of Americas
New York, NY 10019

Re: Limited Appraisal of Real Property
In a Restricted Use Report
The Proposed Henry Adams House Apartments
29th and Calvert Streets, N.W.
Washington, D.C.

Dear Ms. Wang:

In fulfillment of our agreement as outlined in the Letter of Engagement, Cushman & Wakefield of Washington, D.C., Inc. is pleased to transmit our report estimating the *Not Less Than* market value of the fee simple estate of the referenced real property. This is a Limited Appraisal prepared in accordance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* of The Appraisal Foundation with the results being presented in a Restricted Use Report.

This is a Restricted Use Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Use Appraisal Report. As such, it presents no discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

This Restricted Use Report and the original report dated April 20, 1999 are addressed to PaineWebber, such other persons as may be designated by PaineWebber and their respective successors and assigns. This report incorporates by reference our Complete Appraisal prepared as of April 20, 1999. Only the general contractor and the completion of construction date have changed since the original report (the general contractor is now the Donohoe Construction Company, A Division of the Donohoe Companies, Inc. and the date of completion is now June 1, 2001) and neither change has a material impact on value.

As specified in the Letter of Engagement, the opinions reported below are qualified by certain assumptions, limiting conditions, certification, and definitions, which are set forth in the report. We particularly call your attention to the following Extraordinary Assumptions.

1. We were not provided with building plans for the subject improvements. Therefore, the building sizes relating to gross and unit sizes were furnished by the property management company. We assume that any significant deviations that result in a different unit count or overall size could influence the value estimate contained herein.

This report was prepared for LCOR New Oyster School, LLC, and is intended only for the specified use of said Client. The report may not be distributed to or relied upon by other persons or entities without the written permission of Cushman & Wakefield of Washington, D.C., Inc.

The property was inspected and the report prepared by Neal A. Eaton, MAI. Donald R. Morris, MAI reviewed the report and concurred with the values.

Based on our appraisal, as defined by the *Uniform Standards of Professional Appraisal Practice*, we formed an opinion that the *Not Less Than* market value of the fee simple estate in the subject property, subject to the assumptions, limiting conditions, certifications, and definitions, as of November 1, 1999, has not changed since the original report dated April 20, 1999 and was not less than:

THREE MILLION EIGHT HUNDRED THOUSAND DOLLARS
$3,800,000

Also, we have formed an opinion that the *Prospective Not Less Than* market value of the leased fee estate *upon completion of the proposed improvements and stabilization,* which we anticipate to be August 1, 2002, in the referenced property, subject to the assumptions, limiting conditions, certifications, and definitions, has not changed since the original report dated April 20, 1999 and will be not less than:

THIRTY SEVEN MILLION DOLLARS
$37,000,000

This letter is invalid as an opinion of value if detached from the report.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF WASHINGTON, D.C., INC.

Neal A. Eaton, MAI
Washington D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10206

Donald R. Morris (n.c.)
Donald R. Morris, MAI
Director, Manager
District of Columbia General Real Property Appraiser No. GA10267

LIMITED APPRAISAL IN A RESTRICTED USE REPORT

This is a Restricted Use Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice for a Restricted Use Appraisal Report. As such, it presents no discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

Property Name:	**Proposed Henry Adams House Apartments**
Location	29th and Calvert Streets, N.W. Washington, D.C.
Purpose of the Appraisal:	To determine the As Is Market Value of the Fee Simple Estate in the subject property is no less than the appraised value as of April 20, 1999 of $3,800,000 and the Prospective Market Value of the Fee Simple Estate in the subject property is no less than the appraised value as of August 1, 2002 of $37,000,000.
Function or Use of the Appraisal:	Assist with internal decision making purposes.

Extent of the Appraisal Process

- Inspected the site and building improvements;
- Conducted market inquiries into recent building sales of similar properties to ascertain the sales price per unit for the building,
- Reviewed construction estimates and developers cash flow projection;
- Conducted market inquiries into recent rents of similar properties to ascertain the rent per month for the subject units;
- Considered the Sales Comparison Approach to value;
- Considered the Income Approach to value;
- Reconciled the analysis to conclude a not less than value;
- This Restricted Use Appraisal Report is a brief statement of the appraiser's data, analyses and conclusions. Supporting documentation is

retained in the appraiser's file.

Date of Value:	November 1, 1999
Date of Inspection:	November 1, 1999
Ownership:	The property is currently titled in the name of the District Of Columbia government.
Tax Parcel No:	Square 2132, Lot 821
Land Area:	.879 Acres
Zoning:	R-5-C, Residential District.
Highest and Best Use:	
As Vacant:	Development of a multi-family apartment project
As Improved:	For re-development as a 211 unit multi-family
Improvements:	
Type:	The proposed improvements will consist of a class A high-rise apartment complex. The building will be 11stories with an attached three level below level parking garage. The property will contain a total of 211 apartment units. There is also one commercial suite. Garage and surface parking accommodates 214 automobiles. A library, business center meeting room and exercise facility make up the recreational amenities.
Year Built:	Proposed
Gross Rentable Area	177,120 Square Feet
Condition:	Excellent upon completion
Value Conclusion	
Indicated As Is Value:	Not less than $3,800,000
Prospective Value Upon Stabilization:	Not less than $37,000,000

Extraordinary Assumptions Affecting Valuation:

1. We were not provided with building plans for the subject improvements. Therefore, the building sizes relating to gross and unit sizes were furnished by the property management company. We assume that any significant deviations that result in a different unit count or overall size could influence the value estimate contained herein.

Definitions of Value, Interest Appraised, and Other Pertinent Terms

The definition of market value taken from the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation, is as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Market Value As Is on Appraisal Date

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; related to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

Prospective Value

A forecast of the value expected at a specified future date.

ASSUMPTIONS AND LIMITING CONDITIONS

"Appraisal" means the appraisal report and opinion of value stated therein; or the letter opinion of value, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Appraisal.

"C&W" means Cushman & Wakefield of Washington, D.C., Inc. or its affiliated subsidiary which issued the Appraisal.

"Appraiser" means the employees of C&W who prepared and signed the Appraisal.

This appraisal is made subject to the following assumptions and limiting conditions:

1. No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters which are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.

2. The information contained in the Appraisal or upon which the Appraisal is based has been gathered from sources the Appraiser assumes to be reliable and accurate. Some of such information may have been provided by the owner of the Property. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and other factual matters.

3. The opinion of value is only as of the date stated in the Appraisal. Changes since that date in external and market factors or in the Property itself can significantly affect property value.

4. The Appraisal is to be used in whole and not in part. No part of the Appraisal shall be used in conjunction with any other appraisal. Publication of the Appraisal, or a copy thereof without the prior written consent of C&W is prohibited. Except as may be otherwise stated in the letter of engagement, the Appraisal may not be used by a person other than the party to whom it is addressed or for purposes other than that for which it was prepared. Except as may be otherwise stated in the letter agreement, no part of the Appraisal shall be conveyed to the public through advertising, or used in any sales or promotional material without C&W's prior written consent. Reference to the Appraisal Institute or to the MAI designation is prohibited.

5. Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.

6. The Appraisal assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil, or structures that render the Property more or less valuable (no responsibility is assumed

for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Appraisal; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value estimate contained in the Appraisal is based.

7. The physical condition of the improvements considered by the Appraisal is based on visual inspection by the Appraiser or other person identified in the Appraisal. C&W assumes no responsibility for the soundness of structural members nor for the condition of mechanical equipment, plumbing or electrical components.

8. The forecasted potential gross income referred to in the Appraisal may be based on lease summaries provided by the owner or third parties. The Appraiser has not reviewed complete documents and assumes no responsibility for the authenticity or completeness of lease information provided by others or the bona fides of actual lease. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

9. The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best estimates of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Appraisal, envisions for the future in terms of rental rates, expenses, supply and demand.

10. Unless otherwise stated in the Appraisal, the existence of potentially hazardous or toxic materials which may have been used in the construction or maintenance or operation of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation, various soil contaminants, and other potentially hazardous materials) may adversely affect the value of the Property. The Appraiser is not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

11. Unless otherwise stated in the appraisal, compliance with the requirements of the American With Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value state in the appraisal. Failure to comply with the requirements of ADA may negatively affect the value of the property. C&W recommends that an expert in this field be employed.

CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

1. Neal A. Eaton, MAI inspected the property, and Donald R. Morris, MAI, Director/Manager, Cushman & Wakefield of Washington D.C., Valuation Advisory Services, reviewed and approved the report, but did not inspect the property.

2. The statements of fact contained in this report are true and correct.

3. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

4. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

5. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. The appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

6. No one provided significant professional assistance to the persons signing this report.

7. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

9. As of the date of this report, Neal A. Eaton, MAI and Donald R. Morris, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.

Neal A. Eaton, MAI
Washington D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10206

Donald R. Morris (per C.)

Donald R. Morris, MAI
Manager, Director – Washington, D.C. Valuation Advisory Services
District of Columbia General Real Property Appraiser No. GA10267

Qualifications of Appraisers

Donald R. Morris, MAI

Professional Affiliations:

Member of the Appraisal Institute (MAI Designation #9812)
District of Columbia Certified General Real Estate Appraiser (#GA00010267)
Commonwealth of Virginia Certified General Real Estate Appraiser (#4001002465)
State of Maryland Certified General Real Estate Appraiser (#7220)
State of West Virginia Certified General Real Estate Appraiser (#237)

Appraisal/Real Estate Experience:

Area Manager, Cushman & Wakefield's Mid Atlantic Region (Philadelphia and Washington, D.C. offices), Valuation Advisory Services, July 1997 to present. Received Cushman & Wakefield's Francis R. Corcoran Award for Valuation Advisory Services Manager of the Year in 1997.

Director/Manager, Cushman & Wakefield of Washington, D.C. and Assistant Manager, Cushman & Wakefield of Texas, Inc., Dallas, Texas, Valuation Advisory Services, a full service real estate organization specializing in appraisal and consultation. April 1990 to July 1997.

Associate Appraiser, Joseph A. Dengel & Company, Dallas, Texas, May 1977 to April 1990.

Other real estate experience includes work as a residential listing and selling agent preparing market analyses and origination contracts. Mr. Morris has taught Real Estate Appraisal courses through the George Leonard School of Real Estate in Dallas, Texas.

Experience includes appraisal of the following types of property:

Office Buildings	Medical Office Buildings
Regional Malls	Power Centers
Outlet Centers	Community & Neighborhood Shopping Centers
Department Stores	Industrial Buildings
Residential Subdivisions	Single Family Residences
Multi-Family Properties	Condominiums/Duplexes
Subdivision Analysis	Farm/Ranch
Mixed Use Properties	Golf Courses
Grape Vineyards	Special Purpose Facilities
Commercial Land	Hotel/Motel
Ad Valorem Tax Appeals	

Appraisal and consulting services used for mortgage loans, relocations, gift and estate tax, condemnation and litigation purposes. Qualified as an expert witness in state and federal real estate court cases.

Donald R. Morris, MAI

Education:

Bachelor of Arts (Political Science), 1981
University of Texas at Arlington, Arlington, Texas.

Appraisal Institute Courses:

#1A1 - Real Estate Appraisal Principles
#1A2 - Basic Valuation Procedures
#1B1 - Capitalization Theory & Techniques, Part A
#1B2 - Capitalization Theory & Techniques, Part B
#410 - Standards of Professional Appraisal Practice, Part A (USPAP)
#420 - Standards of Professional Appraisal Practice, Part B (AI)
#21 - Case Studies in Real Estate Valuation
#22 - Report Writing and Valuation Analysis
#82 - Residential Valuation Procedures

Additional Accredited Real Estate Courses:

Real Estate Appraisal
Principles of Real Estate
Real Estate Marketing
Real Estate Finance
Property Management

Federal National Mortgage Corporation (Fannie Mae) - Appraisal Training

Certified in the Appraisal's Institute's voluntary program of continuing education for its designated members.

Neal A. Eaton, MAI

Professional Affiliations:

Member of the Appraisal Institute (MAI Designation #9508)
Commonwealth of Virginia Certified General Real Estate Appraiser (#4001002962)
State of Maryland Certified General Real Estate Appraiser (#456)

Appraisal/Real Estate Experience:

Senior Appraiser, Cushman & Wakefield of Washington, D.C., Inc., Washington, D.C., Valuation Advisor Services, a full service real estate organization specializing in appraisal and consultation. April 1998 to present

Collateral Analyst, Federal Home Loan Mortgage Corporation (Freddie Mac), McLean, Virginia, Risk Management Department, Multi-Family Division, October 1995 to April 1998.

Vice President/Manager, Legg Mason Realty Group, Inc. Baltimore, Maryland, Washington, D.C. regional office. Established and managed the Washington, D.C. regional office. November 1990 to October 1995.

Assistant Vice President, Maryland National Bank, Baltimore, Maryland, Appraisal and Appraisal Review Services, analyzed MNB corporate real estate holdings. July 1984 to November 1990.

Assessor III, Maryland State Department of Assessments and Taxation, Annapolis, Maryland, Ad Valorem assessments on residential and commercial properties. July 1979 to July 1984.

Office Buildings	Medical Office Buildings
Regional Malls	Power Centers
Outlet Centers	Community & Neighborhood Shopping Centers
Department Stores	Industrial Buildings
Residential Subdivisions	Single Family Residences
Multi-Family Properties	Condominiums/Duplexes
Subdivision Analysis	Golf Courses
Mixed Use Properties	Special Purpose Facilities
Hotel/Motel	Religious and Educational Facilities
Commercial Land	Ad Valorem Tax Appeals

Qualified as an expert witness in U.S. Bankruptcy Court, Maryland Tax Court and Maryland District Court.

Neal A. Eaton, MAI

Education:

Bachelor of Arts (English), 1976.
University of Maryland, College Park, Maryland.

Appraisal Institute Courses:

#1A1 - Real Estate Appraisal Principles
#1A2 - Basic Valuation Procedures
#1B1 - Capitalization Theory & Techniques, Part A
#1B2 - Capitalization Theory & Techniques, Part B
#410 - Standards of Professional Appraisal Practice, Part A (USPAP)
#420 - Standards of Professional Appraisal Practice, Part B (AI)
#21 - Case Studies in Real Estate Valuation
#22 - Report Writing and Valuation Analysis
#510 - Advanced Income Capitalization

Additional Accredited Real Estate Courses:

Construction Lending (Mortgage Bankers Association)
Detrimental Conditions (Appraisal Institute)

Certified in the Appraisal's Institute's voluntary program of continuing education for its designated members.

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE DEVELOPMENT AGREEMENT, THE REPLACEMENT DEVELOPER AGREEMENT, THE DISPOSITION AGREEMENT, THE ASSIGNMENT AGREEMENT AND THE APARTMENT COMPLETION GUARANTY

[This Page Intentionally Left Blank]

APPENDIX B

CERTAIN DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE INDENTURE, THE DEVELOPMENT AGREEMENT, THE REPLACEMENT DEVELOPER AGREEMENT, THE DISPOSITION AGREEMENT, THE ASSIGNMENT AGREEMENT AND THE APARTMENT COMPLETION GUARANTY

The following are certain definitions and summaries of the Indenture, the Development Agreement, the Replacement Developer Agreement, the Disposition Agreement, the Assignment Agreement and the Apartment Completion Guaranty, which when used in this Official Statement, shall have the meanings set for below unless otherwise defined herein or the context clearly indicates otherwise. These summaries do not purport to set forth all of the provisions of the Indenture, the Development Agreement, the Replacement Developer Agreement, the Disposition Agreement, the Assignment Agreement and the Apartment Completion Guaranty and reference is made to such documents for the complete and actual terms thereof. Any capitalized term used in this Official Statement regarding the Indenture, the Development Agreement, the Replacement Developer Agreement, the Disposition Agreement, the Assignment Agreement and the Apartment Completion Guaranty that is not defined herein shall have the meaning given to such term by the Indenture, the Development Agreement, the Replacement Developer Agreement, the Disposition Agreement, the Assignment Agreement or the Apartment Completion Guaranty.

DEFINITIONS OF CERTAIN TERMS IN THE INDENTURE, THE DEVELOPMENT AGREEMENT AND THE DISPOSITION AGREEMENT

"Abatement of real property taxes" or **"Tax Abatement"** shall mean that upon the conveyance of the Private Site to the Owner, no real property taxes shall be due and payable thereon from such date through the end of the PILOT Period.

"Absolute Assignment of Leases and Rents" shall mean that absolute assignment of leases and rents effective on the Closing Date, between the Owner and the Apartment Completion Guarantor.

"Account" shall mean any of the various Accounts, sometimes created within a fund, under the Indenture.

"Annual Debt Service" shall mean the amount of payments required to be made for principal of and interest on the Bonds, including mandatory sinking fund redemptions, and payments pursuant to agreements with providers of credit enhancement and/or liquidity support with respect to Bonds, to reimburse such providers for debt service payments made, with respect to Bonds, scheduled to come due within a specified Fiscal Year, but excluding any capitalized interest funded from proceeds of Bonds.

"Apartment Completion" shall mean the occurrence of all of the following: (i) the last certificate of occupancy, or other approval as evidenced in writing by the appropriate governmental authority, has been received such that all apartment units in the Private Facility may be occupied, (ii) Owner has received and furnished to the Trustee a certificate of substantial completion from the architect for the Private Facility, and (iii) an escrow with the construction lender for the Private Facility has been established in an amount equal to 150% of the estimated cost to complete remaining punchlist items (provided such estimated cost does not exceed $150,000).

"Apartment Completion Guarantor" (sometimes referred to as "Credit Enhancement Provider," "Credit Enhancer" or the "Guarantor" herein or in the Indenture) shall mean The Northwestern Mutual Life Insurance Company.

"Apartment Completion Guaranty" (sometimes referred to as "Credit Enhancement" or "Guaranty" herein or in the Indenture) shall mean that certain agreement effective on the Closing Date between and among the Apartment Completion Guarantor, the Trustee and the District pursuant to which the Apartment Completion Guarantor will (i) purchase the Bonds in the event that Apartment Completion has not occurred by November 1, 2002; and (ii) pay any monthly PILOT Payment, in full or in part, due on or before the earlier of Apartment Completion or October 25, 2002, which has not been paid by the Owner, after notice and failure to cure the delinquency pursuant to the terms of the Apartment Completion Guaranty.

"Apartments" shall mean the 211 unit residential rental apartment complex to be constructed by the Owner on the Private Site.

"Arbitrage Rebate Fund" shall mean the Arbitrage Rebate Fund established under the Indenture.

"Architect" shall mean Sverdrup Facilities, Inc., or such other architect as may be selected by Developer in accordance with the Development Agreement.

"Assignment Agreement" shall mean, collectively, the Absolute Assignment of Leases and Rents and the Sub-Assignment of Leases and Rents.

"Authorized Delegate" shall mean the Chief Financial Officer or Treasurer of the District or any officer or employee of the Executive Office of the Mayor to whom the Mayor has delegated or to whom the foregoing individuals have subdelegated any of the Mayor's functions pursuant to the Home Rule Act.

"Bond Counsel" shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

"Bond Fund" shall mean the Bond Fund established in the Indenture.

"Bond Insurance Policy" shall mean a financial guaranty insurance policy issued by the Bond Insurer insuring payment of principal of and interest on the Insured Bonds.

"Bond Insurer" shall mean ACA Financial Guaranty Corporation and its successors and assigns, and any successor, resulting or transferee corporation.

"Bondholders", **"Holders"** or **"holders"** of Bonds shall mean the registered owners of Bonds.

"Bonds" shall mean the James F. Oyster Elementary School Pilot Revenue Bonds and any bonds, notes or other obligations authorized to be issued pursuant to the Indenture.

"Bond Year" shall mean each twelve month period commencing on November 1, and ending on October 31.

"Business Day" shall mean a day on which banking business is transacted, but not including a Saturday, Sunday or legal holiday, or any day on which banking institutions are authorized by law to close in the city in which the Trustee has its principal corporate trust office or in the District of Columbia.

"Change Order" shall mean a change order issued with respect to the Plans and Specifications or School Construction Standards, as approved by DCPS pursuant to the Development Agreement..

"Change Order Amount" shall mean the cost increase or decrease resulting from a Change Order.

"Closing Date" shall mean the date of issuance of the Bonds.

"Completion" shall mean the completion of the New Oyster School in accordance with the Plans and Specifications and the School Construction Standards, including the issuance of any final certificate of occupancy or other final approval necessary from any Governmental Authority or required by applicable law for legal occupancy of the New School Project, and a professional opinion from the Supervising Architect that the New School Project qualifies for final approval and complies with the District's Construction Codes, as amended pursuant to Section 10 of D.C. Law 6-216, the District of Columbia Construction Codes Approval and Amendments Act of 1986 (D.C. Code § 5-1309), subject only to the completion of minor items described in a written punch list attached to the professional opinion of the Supervising Architect regarding Completion (with requisite work aggregating less than $50,000, and which items do not prevent the use and occupancy of the New Oyster School for its intended purpose). To the extent that only temporary or conditional certificates or approvals can be obtained for all or any portion of the New School Project because of incomplete work which is not within the scope of the New School Project or which is not the responsibility of Developer, then **"Completion"** shall mean the obtaining of such temporary or conditional certificates or approvals. In situations where Supervising Architect certifies that action or inaction by DCPS, without the contributory, wrongful action or failure to act by Developer or any Third Party (as defined in the Development Agreement), wrongfully prevents the issuance of otherwise available certificates or approvals, Completion shall be deemed to have occurred upon the submission of all necessary materials to obtain such certificates or approvals if all other conditions for Completion have been satisfied.

"Completion Date" shall mean that date which Supervising Architect opines in writing is the date on which Completion occurred.

"Construction Contract" shall mean the agreement between the Developer and the Contractor to construct the New School subject to certain provisions, including but not limited to a guaranteed maximum cost acceptable to DCPS.

"Construction Phase" shall mean the period commencing on the first day following the end of the Pre-Construction Phase and terminating on the Completion Date.

"Consultants" shall mean the persons or entities, other than those retained by the Architect or Contractor, engaged to perform certain functions set forth in the Development Agreement.

"Contractor" shall mean Donohoe Construction Company, or such other general contractor as may be selected by Developer with DCPS's consent pursuant to the Development Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated or applicable thereunder.

"Construction Account" shall mean the account of the Construction Fund established in the Indenture.

"Construction Fund" shall mean the Construction Fund established in the Indenture.

"Costs" shall mean the costs of the Project, plus the amounts allocated to DCPS to pay the costs of the School Projects.

"DCPS" shall mean the Board of Education of the District of Columbia.

"DCPS's Representative" shall mean the person designated by DCPS to act on behalf of DCPS under the Development Agreement.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the Indenture.

"Debt Service Reserve Requirement" shall mean, as of the date of calculation, an amount equal to the least of (1) maximum annual debt service on Outstanding Bonds payable in any fiscal year, (2) ten percent (10%) of the proceeds of the Bonds calculated in accordance with the Code or (3) 125% of the average annual requirements for the payment of the principal on the Bonds (by reason of maturity or sinking fund redemption) and interest thereon during the then current and each Fiscal Year.

"Developer" shall mean LCOR New Oyster School L.L.C., a Delaware limited liability company, the developer of the New Oyster School, its successor or assigns.

"Developer's Representative" shall mean the person designated by the Developer to act on behalf of the Developer under the Development Agreement.

"Development Agreement" shall mean that agreement effective on the Closing Date, entered into between the District, DCPS and the Developer providing for, among other things, the demolition and reconstruction of the New Oyster School.

"Development Rights" shall mean the rights providing sufficient floor area ratio to permit Grantee to develop a not less than 211-unit apartment project on the Private Site.

"Disposition Agreement" shall mean that agreement effective on the Closing Date between the District and the Owner pursuant to which the District has agreed to convey the Private Site to the Owner and to abate the real property taxes thereon for the PILOT Period, and the Owner has agreed to pay the PILOT on the Private Site.

"District" shall mean the District of Columbia Government.

"District Delay" shall mean any delay that the Supervising Architect certifies was caused by an unjustified delay or failure by DCPS in performing any obligation under the Development Agreement or any Owner Environmental Item as defined in the Environmental Agreement.

"Environmental Agreement" shall mean that certain environmental agreement and indemnity effective on the Closing Date between the Developer and the District.

"Event of Default" shall mean any of the Events of Default enumerated in the Indenture.

"Financing Documents" shall mean documents, including the Development Agreement, but not the Closing Documents, that relate to financing or refinancing of transactions to be effected through issuance, sale and delivery of the Bonds, including any offering document, and any required supplements to any such documents.

"Fiscal Year" shall mean the twelve-month period beginning on November 1 of one year and ending on October 31 of the following year, or such other fiscal year of twelve months as may be selected by the District.

"Fitch" shall mean Fitch IBCA, Inc. or its successors.

"FRMAA" shall mean the District of Columbia Financial Responsibility and Management Assistance Authority.

"FRMAA Escrow Account" shall mean the FRMAA Escrow Account established pursuant to the Indenture.

"FRMAA Act" shall mean the District of Columbia Financial Responsibility and Management Assistance Act of 1995, P.L. 104-8, 109 Stat. 97.

"Fund" shall mean any of the various Funds created under the Indenture.

"Government Certificates" shall mean certificates representing proportionate ownership of Government Obligations, which Government Obligations are held by a bank or trust company organized under the laws of the United States of America or any of its states in the capacity of custodian of such certificates.

"Government Obligations" shall mean (a) bonds, notes and other direct obligations of the United States of America, (b) securities unconditionally guaranteed as to the timely payment of principal, if applicable, and interest by the United States of America, or (c) bonds, notes and other obligations of any agency of the United States of America unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

"Guaranty of Performance" shall mean that certain agreement effective on the Closing Date between LCOR Incorporated and the District for the benefit of the DCPS.

"Indenture" shall mean the Indenture of Trust, dated as of November 1, 1999, between the District and the Trustee, as supplemented or amended by one or more Supplemental Indentures.

"Insured Bonds" shall mean those Bonds for which the payment of principal and interest has been insured by the Bond Insurer.

"Interest Account" shall mean the Interest Account in the Bond Fund established in the Indenture.

"Interim Agreement" shall mean the agreement between the District and LCOR Incorporated that preceded the Development Agreement.

"Land" shall mean the real estate, owned by the District, comprised of approximately 1.67 acres at the northeast corner of 29th Street and Calvert Street, N.W., Washington, D.C.

"LCOR Incorporated" shall mean LCOR Incorporated, a Pennsylvania corporation that is the guarantor of the performance of the Developer under the Guaranty of Performance.

"Letter of Representation" shall mean the Blanket Letter of Representations dated May 30, 1997, from the District to the Securities Depository and any amendments thereto or successor agreements between the District and any successor Securities Depository, relating to a book-entry system to be maintained by the Securities Depository with respect to the Bonds. Notwithstanding any provision of the Indenture, including Article XI regarding amendments, the Trustee may enter into any such amendment or successor agreement without the consent of Bondholders.

"Moody's" shall mean Moody's Investors Service, Inc., New York, New York, or its successors.

"New Oyster School" shall mean the new elementary school to be constructed by the Developer on a portion of the Oyster School Site pursuant to the Oyster School Bond Act.

"New School Parcel" shall mean that portion of the Land that the District has designated for the New Oyster School.

"New School Project" shall mean the New Oyster School and the New School Parcel.

"New School Project Representatives" means, collectively, Developer's Representative and DCPS's Representative.

"Old School" shall mean The James F. Oyster Elementary School and the Land beneath the Old School.

"Opinion of Counsel" shall mean an opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel for the District but shall not be an employee of the Trustee.

"Outstanding" shall mean Bonds authorized, issued, authenticated and delivered under the Indenture that have not been canceled or surrendered to the Trustee for cancellation, deemed to have been paid, have had other obligations issued in exchange therefor or had their principal become due and moneys sufficient for their payment deposited with the Trustee, all as provided in the Indenture.

"Owner" shall mean the record owner or owners of the Private Site.

"Oyster Project" shall mean both the Apartment Project and the New School Project.

"Oyster School Bond Act" shall mean the Oyster Elementary School Construction and Revenue Bond Act of 1998, D.C. Law 12-174, effective October 21, 1998.

"Oyster School Site" shall mean that parcel of land located at 29th Street and Calvert Street, N.W., Washington, D.C., Square 2132, Lot 33.

"Payments in Lieu of Taxes" or **"PILOT"** shall mean annual contributions from the Owner payable in monthly installments to the District in accordance with the Oyster School Bond Act and in amounts sufficient to fully amortize the Bonds over the PILOT Period.

"Permitted Investments" shall mean: (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including certificates or other instruments evidencing ownership interests in such direct obligations of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America; (ii) obligations issued or guaranteed by Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Banks, Government National Mortgage Association, Federal National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; or by any agency, department or instrumentality of the United States if such obligations are rated in one of the two highest rating categories by Fitch, S&P and Moody's if in any such case the timely payment of principal and interest on such obligations is backed by the full faith and credit of the United States of America; (iii) investment agreements meeting the investment criteria issued by a credit enhancer; (iv) interest-bearing bankers acceptances or certificates of deposit of, or time deposits in any bank (including the Trustee), lead bank of a parent holding company, or any savings and loan associations whose unsecured obligations are rated in one of the two highest rating categories by Fitch, S&P and Moody's, provided such deposits are either (a) secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (i) or (ii) of this definition) of a market value of no less than the amount of moneys so invested or (b) fully insured by the Federal Deposit Insurance Corporation; (v) repurchase agreements which satisfy the following criteria: (a) repurchase agreement which provides for the transfer of securities from dealer banks or securities firms to the Trustee or its agents, and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date; (b) repurchase agreement must be between the Trustee and a dealer bank or securities firm which is either a primary dealer on the Federal Reserve reporting dealer list or a bank rated A or above by Fitch, S&P and Moody's; (c) the written repurchase agreement must include the following terms: (1) securities which are acceptable for transfer are (A) direct United States government obligations, or (B) obligations of federal agencies backed by the full faith and credit of the United States government; (2) with respect to control of the collateral, if the dealer bank or securities firm supplied the collateral pursuant to the repurchase agreement, it may not retain possession of such collateral and the collateral must be delivered to the Trustee (unless the Trustee is supplying the collateral) or a third party acting as agent for the Trustee before or simultaneous with payment; and (3) the securities must be valued weekly, marked-to-market at current market price plus accrued interest, the value of collateral must be equal to 102% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest and if the value of securities held as collateral is less than 102% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred; and (d) to the extent required by a credit enhancer, an opinion of Bond Counsel, to the effect that such repurchase agreements are obligations in which public funds are permitted to be invested under District law, shall be delivered to the Trustee, with a copy to the credit enhancer; (vi) commercial paper of "prime" quality of the highest ranking or the highest rating category as provided by Fitch, S&P and Moody's; (vii) obligations the interest on which is exempt from federal income taxation and which, if rated by the Rating Agencies are rated by Fitch, Moody's and S&P in one of the two highest rating categories of such rating agencies; and (viii) a time deposit account drawn on the Trustee for amounts whose aggregation is less than $5,000; (ix) mutual funds, including any such fund of the Trustee or any affiliate of the Trustee, which invest exclusively in any investment described in clauses (i) through (viii) and (x) Federally tax-exempt bonds which are not subject to the AMT for individuals and subject to a put option at par at least semi-annually and rated at least "double-A" by Moody's Investors Service, Standard & Poor's or Fitch IBCA and in the highest short-term rating category by such rating agency.

"PILOT Period" shall mean a period of years commencing on the date of issuance of the Bonds and ending on the earlier or (i) the date of final maturity of the Bonds when initially issued or (ii) 35 years.

"Plans and Specifications" shall mean the plans, drawings and written specifications for the construction and development of the New Oyster School.

"Principal Account" shall mean the Principal Account in the Bond Fund established in the Indenture.

"Private Facility" shall mean the 211 unit residential rental apartment complex to be constructed by the Owner on the Private Site.

"Private Site" shall mean the portion of the Oyster School Site that is conveyed to the Owner for the construction of the Private Facility, including sufficient gross floor area of development rights for the planned construction of the Private Facility.

"Project" means the financing, refinancing, or reimbursing of the District for certain costs of developing, planning, designing, constructing and equipping of a school building to be located on the Oyster School Site; demolition of the existing school building on such site; paying capitalized interest on the Bonds for a period of up to two years; funding any required deposit to the Debt Service Reserve Fund; paying costs of any credit enhancement; and financing certain Issuance Costs relating to the Bonds.

"Property" shall mean the Land and all of Grantor's right, title and interest in and to all appurtenances to the Land, including all easements benefiting the Land, any unpaid award in respect of any street, road, alley or avenue in front of or adjoining the Land, and any unpaid award for damage by reason of any change in the grade of any such street, road, alley or avenue; the Development Rights; and any and all improvements existing on the Land at any time.

"Rating Agency" or **"Rating Agencies"** shall mean Fitch, Moody's or Standard & Poor's, or any of them, and their successors or assigns. The District may seek a rating from any other nationally recognized securities rating agency.

"Real Property Taxes" shall mean the taxes imposed under Chapter 8 of Title 47 of the Code of the District of Columbia or any amendment or successor provisions thereto and any taxes or other charges imposed by the District of Columbia in lieu of or in substitution for any of the foregoing.

"Rebate Amount" shall mean amounts required to be rebated to the U.S. Treasury in accordance with provisions of the Code.

"Rebate Amount Certificates" shall have the meaning set forth in the Indenture.

"Refunding Bonds" shall mean bonds issued in one or more series to refund the Bonds in accordance with the Indenture.

"Request for Payment" means the payment request to be prepared by Developer, approved by DCPS and the District and submitted to Trustee in accordance with the requirements of the Bond Documents and the Development Agreement.

"Reserve Determination Date" shall mean (a) each interest payment date for the Bonds, or (b) any other date established in writing by an Authorized Representative of the District for the valuation of obligations on deposit in the Debt Service Reserve Fund.

"Revenue Fund" shall mean the Revenue Fund established in the Indenture.

"School Construction Standards" means the standards for the construction and completion of the New School Project as set forth in "The District of Columbia Public Schools Facilities Standards Released For Use On The Oyster Elementary School Public/Private Development Project," dated November 1, 1996.

"School Projects" shall mean the costs of (i) up to $100,000 for a project manager (ii) the payment of $200,000 to the 21st Century School Fund and (iii) an incentive payment of $445,000 to DCPS to pay for remediation of hazardous materials at the Oyster School Site, the use of substitute space while the New Oyster School is developed, for transportation of children to such substitute space and for rehabilitation or development of other public schools in the District.

"School Projects Account" shall mean the School Projects Account in the Construction Fund established in the Indenture.

"Securities Depository" shall mean The Depository Trust Company, a corporation organized and existing under the laws of the State of New York, whose nominee is Cede & Co., and any other securities depository for the Bonds, and its successors or assigns.

"Standard and Poor's" shall mean Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

"Sub-Assignment of Leases and Rents" shall mean that Sub-Assignment of Leases and Rents effective on the Closing Date between the Apartment Completion Guarantor and the District.

"Supervising Architect" means Frank Reifsnyder, AIA, or such other architect as may be engaged by the parties to the Development Agreement to perform the functions of Supervising Architect thereunder.

"Supplemental Indenture" shall mean any Supplemental Indenture supplementing or modifying the provisions of the Indenture entered into by the District and the Trustee pursuant to the Indenture.

"Tax Abatement" or **"Abatement of real property taxes"** shall mean that upon the conveyance of the Private Site to the Owner, no real property taxes shall be due and payable thereon from such date through the end of the PILOT Period.

"Term Bonds" shall mean any Bonds stated to mature on a specified date and required to be redeemed in part prior to maturity according to a sinking fund schedule.

"Trust Estate" shall mean all amounts on deposit, and any interest earnings thereon, in the Funds and Accounts established under the Indenture, except the Arbitrage Rebate Fund, all PILOT payments, all rights, title and interest of the District to the proceeds of the sale of the Bonds on deposit in the Construction Fund, and any interest earnings thereon, all of which have been pledged, granted and conveyed by the District to the Trustee for the benefit of the holders of the Bonds and credit enhancers, if any, under the Indenture.

"Trustee" shall mean Norwest Bank Minnesota, N.A., or its successors or assigns, as Trustee under the Indenture.

"Underwriter" means PaineWebber Incorporated, the underwriter of the Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and reference is made to the Indenture for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary.

The 1999 Bonds. The 1999 Bonds are special obligations of the District, secured by a first lien and pledge of, and payable solely from, (i) the PILOT Payments made by the Owner to the District, including interest thereon on deposit in the Revenue Fund, (ii) the moneys and investments on deposit in the Bond Fund, Debt Service Reserve Fund and in any other funds and accounts (other than the Arbitrage Rebate Fund) established under the Indenture, (iii) any and all property conveyed, pledged, assigned or transferred by District to the Trustee as additional security for the Bonds, and (iv) all of the District's right, title and interest in Bond proceeds on deposit in the Construction Fund and investments thereon. In the event the PILOT Payments are not made, the Trustee may exercise the rights of the District in connection with the collection of the PILOT Payments, including remedies similar to those available to the District for non-payment of real estate taxes.

Pledge and Assignment. In order to secure the payment of the principal of, premium, if any, and interest on the Outstanding Bonds when the same shall become due and payable according to their tenor and effect, and to secure the performance and observance by the District of all the covenants and obligations expressed or implied in the Indenture and in the Bonds for the benefit of the holders of the Bonds and credit enhancers, if any, until the applicable credit enhancement is no longer outstanding and no amounts are due under the related documents, the District conveys, transfers and assigns and pledges the Trust Estate to, and grants a security interest in the Trust Estate to the Trustee and to its successors in trust and assigns, forever, such conveyance, transfer, assignment, pledge and security interest to be effective without the recording of the Indenture or any other instrument.

Replacement Bonds. If the Bonds are no longer to be held by a Securities Depository, upon the conditions specified in the Indenture, the District shall in its sole discretion direct that certificated Bonds be issued. The District shall execute and the Trustee shall authenticate and deliver such certificated Bonds. Upon the issuance of certificated Bonds, they shall constitute full and due authorization of certificated Bonds. They shall be entitled to all the same benefits under the Indenture as book-entry Bonds.

Books. The Trustee shall keep at its office books for the registration and registration of transfer of the Bonds as provided in the Indenture. Upon presentation of any Bond entitled to registration or registration of transfer at the office of the Trustee, the Trustee shall register or register the transfer of the Bond in the registration books, under such reasonable regulations as the Trustee may prescribe. The Trustee shall make all necessary provisions to permit the exchange, registration and transfer of the Bonds at the office of the Trustee.

Transfer. At the option of any Owner, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity upon surrender of such Bonds at the office of the Trustee duly executed by the Owner or his duly authorized attorney, and upon payment of the charges of the Trustee for exchange.

Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal of the Bond becomes due, either at maturity, or at the date fixed for redemption of the Bond, or otherwise, if funds sufficient to pay such Bond or interest shall have been made available by the District to the Trustee for the benefit of the holder of the Bond, all liability of the District to the holder of the Bond for the payment of such Bond or interest, as the case may be, shall be completely discharged, upon which event it shall be the duty of the Trustee to segregate such funds and to hold such segregated funds in trust, uninvested and without liability for interest on such funds, for the benefit of the holder of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Bond, provided that any money deposited with the Trustee for the payment of the principal of, premium, if any, or interest on, any Bond and remaining unclaimed for three (3) years (or such period of time as is then specified by the law governing unclaimed or abandoned property) after such principal and premium, if any, or interest has become due and payable shall be paid pursuant to the law governing unclaimed or abandoned property.

Creation of Funds and Accounts; Deposit of and Use of Moneys. The Funds and separate Accounts within the Funds created with respect to each series of Bonds under the Indenture shall be held and administered as trust funds by the Trustee in accordance with the terms of the Indenture and as described below:

Revenue Fund. The Trustee shall establish a Revenue Fund with respect to the Bonds. Commencing November 25, 2001, each installment of the PILOT shall be deposited upon receipt by the Trustee into the Revenue Fund to be held by the Trustee in trust for the beneficiaries hereunder. No later than the last Business Day of each October and April, the Trustee shall transfer amounts from the Revenue Fund to the Interest or Principal Accounts and the Debt Service Reserve Fund and Arbitrage Rebate Fund, as appropriate, in accordance with the Indenture. Any moneys held as part of the Revenue Fund and not immediately required for the purposes of such fund, shall be invested and reinvested by the Trustee as directed by the District in Permitted Investments.

Bond Fund. The Trustee shall establish a Bond Fund and within such fund a Principal Account and an Interest Account. Bond proceeds deposited into the Interest Account at Closing shall be applied each November 1 and May 1, commencing May 1, 2000, and continuing through November 1, 2001, to pay interest on the Bonds. On the last Business Day of each October and April, the Trustee shall transfer from the Revenue Fund and deposit in the Interest Account, commencing April 30, 2002, an amount equal to the interest due and payable on the Bonds on the next succeeding interest payment date, in the Principal Account an amount equal to one-half of the principal due and payable on the Bonds on the next succeeding principal payment date, if any. In the event the balance on deposit in the Interest Account or the Principal Account is insufficient for the purposes thereof, the Trustee shall transfer to the deficient Accounts the amounts needed to eliminate the deficiency from the Debt Service Reserve Fund. Moneys in the Bond Fund shall be used solely for the payment of the principal of, redemption price and interest on the Bonds as the same become due and payable, except for those excess amounts to be transferred to the Debt Service Reserve Fund if the amounts therein are less than the Debt Service Reserve Requirement.

Construction Fund. The Trustee shall establish a Construction Fund and, within the Construction Fund, a Construction Account, a School Projects Account, an FF&E Account and an Issuance Costs Account. Initially, the proceeds of the Bonds, less the fees and expenses of the Underwriter, will be deposited in the FRMAA Escrow Account and allocated upon the written direction of FRMAA to the funds and accounts established under the Indenture. A portion of the proceeds of the Bonds will be deposited into the Construction Account to pay Costs of the Project, into the School Projects Account and used to pay for the School Projects, into the FF&E Account to pay the costs of furniture, fixtures and equipment for the New Oyster School, and into the Issuance Costs Account to pay Issuance Costs. Any balance remaining in the Issuance Costs Account upon payment of such Issuance Costs shall be transferred to the Construction Account. Any balance remaining in the Construction Account upon completion of the Project shall be disposed of in accordance with the Indenture, and when all Costs have been paid or moneys have been reserved to pay unpaid Costs, including the sharing of savings set forth in the Development Agreement, the balance of any Bond proceeds remaining in excess of the amount to be reserved for payment of such unpaid Costs (up to an aggregate cumulative amount of excess amounts in all Funds and Accounts equal to the Developer Contribution) shall be transferred to the Developer.

Debt Service Reserve Fund. The Trustee shall establish a Debt Service Reserve Fund into which the Trustee shall deposit an amount equal to the Debt Service Reserve Requirement for the Bonds. In lieu of or in addition to cash or investments, the District may deposit any form of credit facility meeting the criteria set forth in the Indenture irrevocably payable to the Trustee as beneficiary for the Holders of the Bonds.

If a disbursement is made pursuant to any credit facility deposited to the Debt Service Reserve Fund, the District shall either (a) reinstate the maximum limits of such credit facility, or (b) deposit to the credit of the Debt Service Reserve Fund moneys in the amount of the disbursement made under such credit facility from available PILOT Payments. To the extent such moneys are still insufficient, then the District shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within 12 months by depositing one-twelfth of the required amount each month. Amounts, if any, released from the Debt Service Reserve Fund upon deposit to the credit of the Debt Service Reserve Fund of a credit facility shall, upon designation by an Authorized Delegate of the District, accompanied by an Opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the Bonds, be transferred (a) to the Interest Account or Principal Account with respect to the Bonds and used to pay interest on or principal of, or to redeem such Bonds, or (b) to the District to be used to pay all or any portion of the Costs designated by the District and approved by Bond Counsel.

Amounts in the Debt Service Reserve Fund are pledged to holders of Bonds. When insufficient funds are available in the Bond Fund, the Trustee shall transfer amounts from the Debt Service Reserve Fund as may be necessary to pay principal of, premium, if any, and interest on the Bonds.

In the event the amount on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the Trustee shall (a) transfer and deposit such excess to the Bond Fund's Interest Account or Principal Account to the extent amounts in such Accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, then (b) thereafter transfer such excess to the Bond Fund to be deposited in the Interest Account or the Principal Account to the extent amounts in such accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, and (c) after calculation of and transfer of the Arbitrage Rebate Fund of any Rebate Requirement, transfer such excess within 15 days of the end of each Bond Year to the Owner (up to an aggregate cumulative amount of excess amounts in all Funds and Accounts equal to the Developer Contribution); provided, that if an Authorized Delegate of the District calls for a Reserve Determination Date in connection with the refunding and/or defeasance of Bonds, then the Trustee is authorized to take such refunding and/or defeasance into account in valuing the Debt Service Reserve Fund and to apply the amount of any surplus to reduce the amount of the Refunding Bonds and/or to provide for the defeasance of the Bonds in such manner as the Authorized Delegate may direct.

Pledge of PILOT. The PILOT is pledged to the payment of principal of, premium, if any, and interest on the Bonds. All Funds and Accounts created under the Indenture, other than the Arbitrage Rebate Fund, shall be trust funds and are pledged (except as provided in the Indenture) equally and ratably to the payment of the principal of and interest on the Bonds. The lien and trust thereby created are for the benefit of the Holders of the Bonds until all such Bonds have been paid.

Except as permitted by the Indenture or the other Financing Documents, the District shall not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Trust Estate and shall promptly pay or cause to be discharged or make adequate provision to pay or discharge, any lien or charge on any part of the Trust Estate not permitted by the Indenture.

In the event the Owner fails to make any payment of PILOT, the District shall exercise any and all rights to receive such payments, including, first, exercise of its rights to receive amounts under any assignment or sub-assignment of leases and rents and, thereafter, through an action at law or equity, including foreclosure on the Apartment Parcel.

Payment of Interest. On each interest payment date, the Trustee shall pay the interest due on the Bonds on such date from amounts on deposit in the Bond Fund and in the Debt Service Reserve Fund, as applicable.

Payment of Principal. On each date on which the principal of and any premium on any of the Bonds becomes due and payable, at maturity, upon redemption or otherwise, the Trustee shall pay such principal and premium from amounts on deposit, as applicable, in the Debt Service Fund and the Debt Service Reserve Fund.

Investments. Subject to the limitations of the Indenture, moneys in any Fund or Account created under the Indenture shall, at the direction of the District after consultation with the Owner, be invested and reinvested by the Trustee in Permitted Investments.

Redemption and Tender. The Bonds are subject to optional and mandatory redemption and mandatory tender prior to maturity on such dates and under such conditions as set forth more fully in the Indenture.

Optional Redemption. The Bonds are subject to redemption at the option of the District, or upon the written direction of the Owner to the District, on or after November 1, 2010 in whole or in part, at the redemption price of the principal amount thereof together with interest accrued to the redemption date in accordance with the schedule set forth in the Indenture.

Mandatory Redemption. The Bonds are required to be redeemed prior to maturity on November 1 in years and amounts upon payment of a premium, the principal amount thereof plus interest accrued to the redemption date in accordance with the schedule set forth in the Indenture.

Mandatory Tender. The Bonds are subject to mandatory tender, in whole but not in part, at a price of par plus accrued interest to the tender date, from a draw on the Apartment Completion Guaranty, in the event that Apartment Completion has not occurred by November 1, 2002.

No Pecuniary Liability. Except for the District's obligations with respect to the Trust Estate, each and every covenant made in the Indenture is predicated upon the condition that the District shall not have any pecuniary liability for the payment of the principal of and premium, if any, or interest on the Bonds. Neither the Bonds nor the interest on the Bonds nor any obligation or agreement of the District under the Indenture or the other Bond Documents shall be construed to constitute an indebtedness of the District within the meaning of any constitutional or statutory provision.

No Personal Liability. No covenant, agreement or obligation contained in the Indenture shall be deemed to be a covenant, agreement or obligation of any present or future elected or appointed official, employee or agent of the District in his or her individual capacity, and no elected or appointed official of the District executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No elected or appointed official, employee, agent or advisor of the District shall incur any personal liability with respect to any other action taken by him pursuant to the Indenture, provided such member, elected or appointed officer, employee, agent or advisor has not acted in a willful or fraudulent manner.

Performance of Covenants of the District; Representations. The District shall at all times faithfully perform any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture, and in all proceedings pertaining to the Bonds.

Tax Covenants. The District covenants in the Indenture to faithfully perform any and all covenants in the Indenture and in the Bonds. The District will not take an action that would adversely affect and will take all action in its power to maintain the exclusion of interest on the Bonds from gross income for Federal income taxation purposes, unless the District receives an opinion of Bond Counsel that compliance with any covenant is not required to prevent the interest on the Bonds from being includable in gross income of the owners thereof under existing law.

Removal of Trustee. The Trustee may be removed at any time by an instrument in writing delivered to the Trustee and the District and signed by the owners of a majority aggregate principal amount of the Bonds Outstanding or by the District by notice in writing to the Trustee 30 days before the removal date, provided that no Event of Default has occurred and is continuing. Such removal shall become effective upon appointment of a successor trustee.

Events of Default. Each of the following events shall constitute, and is referred to in the Indenture as, an Event of Default with respect to the Bonds:

a. Default in the due and punctual payment of the principal of or premium, if any, on any Bond (whether at maturity, call for redemption or otherwise);

b. Default in the due and punctual payment of the interest on any Bond;

c. Subject to the Indenture's remedial provisions, failure of the District to observe and perform any of its other covenants, conditions or agreements under the Indenture or in the Bonds for a period of sixty (60) days after written notice either from the Trustee or Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding (unless the Trustee and the Bond Insurer agree in writing to an extension of such time prior to its expiration and provided, however, that the Trustee shall be deemed to have agreed to an extension if such period of corrective action is initiated by the District within such period and is being diligently pursued) specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such sixty (60) day period, failure of the District to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence within sixty (60) days thereafter.

d. If the District shall: (1) voluntarily be adjudicated bankrupt or insolvent, (2) seek or consent to the appointment of a receiver or trustee for itself or for all or any part of its property, (3) file a petition seeking relief under the bankruptcy or similar laws of the United States, the District or any state or any other competent jurisdiction, (4) make a general assignment for the benefit of creditors, (5) admit in writing its inability to pay its debts as they mature, (6) be involuntarily declared bankrupt if a court of competent jurisdiction shall enter an order, judgment or decree appointing, without the consent of the District, a receiver or trustee for it for all or any part of the District's property or approving a petition filed against such party seeking relief under the bankruptcy or other similar laws of the Untied States, the District or any state or other competent jurisdiction, and such order, judgment or decree shall be consented to or remain in force undischarged or unstayed for a period of sixty (60) days after the date on which such petition was filed; or (7) have a creditor file a petition in bankruptcy or for the appointment of a receiver or for similar relief against the District for reorganization of any such party pursuant to any federal, District or state bankruptcy laws, and if such petition shall be consented to by such party or not be discharged or dismissed within sixty (60) days after the date on which such petition was filed.

Acceleration of Maturity. Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the Bond Insurer or the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall) by written notice to the District, declare the entire unpaid principal of the Bonds due and payable and, thereupon, the entire unpaid principal of the Bonds shall forthwith become due and payable. Upon any such declaration the District shall forthwith pay to the holders of the Bonds the entire unpaid principal of, premium, if any, and accrued interest on the Bonds, but only from amounts received from the PILOT and other moneys in the Indenture specifically pledged for payments of Bondholders.

If at any time after such a declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Indenture, the principal of all Bonds that have matured or been called for redemption pursuant to any sinking fund provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Trustee may, by written notice to the District, rescind or annul such declaration and its consequences. No such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Notice of Events of Default. If the District shall fail to collect and deposit the PILOT into the Revenue Fund, the Trustee shall give notice thereof by telephone, telegram or facsimile transmission to the District and the Guarantor on the next succeeding Business Day and shall confirm such notice in writing by first class registered or certified mail. In the event of (a) the continuance for 30 days of any such failure to make payment, or (b) notification to the Trustee by the holders of 25% in aggregate principal amount of the Bonds then Outstanding of any default under the Indenture, then the Trustee shall give notice thereof to the Holders of all Outstanding Bonds.

Waivers of Events of Defaults. The Trustee may in its discretion, but only with the consent of the Bond Insurer, waive any Event of Default under the Indenture or any action taken pursuant to any Event of Default and rescind any acceleration of maturity of principal of and interest on the Bonds, and shall do so at the request of the holders of (a) a majority in aggregate principal amount of Bonds then Outstanding in respect of which default in the payment of principal and/or premium, if any, and/or interest exists, or (b) a majority in aggregate principal amount of Bonds then Outstanding in the case of any other default; provided, however, that:

1. there shall not be waived without the consent of the Bond Insurer or the holders of all Bonds then Outstanding (A) any Event of Default in the payment of the principal of any Outstanding Bonds (whether at maturity or by sinking fund redemption), or (B) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission,

(i) there shall have been paid or provided for all arrears of interest with interest, to the extent permitted by law, at the rate borne by the Bonds on overdue installments of interest, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default, and

(ii) in case of any such waiver or rescission or in the case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the District, the Trustee, and the holders of Bonds shall be restored to their former positions and rights hereunder respectively; and

2. no acceleration of maturity initiated and no suit, action or proceeding instituted at the request of the Bond Insurer or the holders of 25% in aggregate principal amount of Bonds then Outstanding shall be rescinded unless requested by the Bond Insurer or the holders of at least 25% in aggregate principal amount of Bonds then Outstanding.

No such waiver or rescission relating to the Bonds shall extend to any subsequent or other default or impair any right consequent thereon.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the default provisions of the Indenture, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or made by the Trustee and its fees and the expenses of the District in carrying out the Indenture, shall be deposited in the Bond Fund and applied as follows and for no other purpose:

(a) Unless the principal of all of Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the Bonds due on any particular date, then to the payment of such principal and premium, if any, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Bonds, including, to the extent permitted by law, interest on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the default provisions of the Indenture, then subject to the provisions of subsection (b) above, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) above.

When the principal of and premium, if any, and interest on all Bonds have been paid under the default provisions of the Indenture, and all Trustee expenses and charges have been paid, any balance remaining in the several Funds and Accounts shall be paid to the Owner, in accordance with the Indenture.

Restoration to Former Position. In case any proceedings taken by the Trustee on account of any default in respect of the Bonds shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the District and the Trustee shall be restored to their former positions and rights under the Indenture, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Bondholders' Right to Direct Proceedings. The Bond Insurer or the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings thereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture and, further provided, that so long as the Bond Insurance Policy is in effect, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to holders of the Bonds.

Limitation on Bondholders' Right to Institute Proceedings. Except as otherwise provided in the Indenture, no Bondholder shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified, or of which it is deemed to have notice, (b) such default has become an Event of Default and the holders of 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (c) such requesting Bondholders have offered to the Trustee indemnity as provided in the Indenture and the Trustee has thereafter failed or refused to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name, (d) no direction inconsistent with such written request has been given to the Trustee by the holders of a majority in aggregate principal amount of Bonds then Outstanding, and (e) notice of such action, suit or proceeding is given to the Trustee; it being understood and intended that no one or more holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its or their action or to enforce any rights thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the holders of all Bonds then Outstanding. The notification, request and offer of indemnity set forth in the Indenture, at the option of the Trustee, shall be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee or to the Bondholders under the Indenture is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or in the future existing at law or in equity or by statute.

No Waiver of Remedies. No delay or omission of the Trustee or the Bond Insurer or any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power, nor shall any such delay or omission be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by the Indenture to the Trustee and the Bondholders, respectively, may be exercised from time to time and as often as may be deemed expedient.

Supplemental Indenture Without Bondholder Consent. The District and the Trustee may, with the written consent of the Bond Insurer, but without the consent of, or notice to, any of the Bondholders, enter into Supplemental Indentures as shall not be inconsistent with the intent of the terms and provisions of the Indenture for any one or more of the following purposes:

1. To cure any ambiguity, formal defect or omission in the Indenture;

2. To grant to or confer upon the Bondholders or District any additional rights, remedies, or powers that may lawfully be granted to or conferred on the Bondholders or the District;

3. To add to the covenants and agreements of the District in the Indenture other covenants and agreements to be observed by the District;

4. To modify, amend or supplement the Indenture in such manner as required to permit the District to comply with the provisions of the Code relating to the rebate to the United States of America of earnings derived from the investment of the proceeds of Bonds, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Bonds;

5. To modify, amend or supplement the Indenture in such manner as may be required by a Rating Agency to maintain or enhance its rating on the Bonds, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Bonds;

6. To modify, amend or supplement the Indenture to implement any covenants or agreements of the District contemplated in Article IX of the Indenture;

7. To authorize the issuance of and to secure one or more issues of Refunding Bonds;

8. To amend any agreement with a securities depository relating to a book-entry system to be maintained with respect to any Bonds; and

9. To modify, amend or supplement the Indenture in any manner that the Trustee concludes is not materially adverse to the holders of all Outstanding Bonds.

Supplemental Indenture with Bondholder Consent. Exclusive of Supplemental Indentures not requiring bondholder consent and subject to the following terms, with the prior written consent of the Bond Insurer, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds shall have the right from time to time to consent to the execution by the District and the Trustee of such other agreements or agreements supplemental to the Indenture as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture and any Supplemental Indentures; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bonds, (b) a privilege or priority of any Bonds over any other Bonds, (c) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indentures, (d) a reduction in the principal amount of or premium, if any, on any Bonds or the rate of interest thereon, or (e) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bonds, without the consent of the holders of all of the Outstanding Bonds.

Notice. If at any time the District shall request the Trustee to enter into any such Supplemental Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be sent by registered or certified mail to the Bond Insurer and the registered owner of each Bond at his address as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the corporate trust office of the Trustee for inspection by all Bondholders.

Limit on Bondholder's Right to Object. If, within ninety (90) days or such longer period as shall be prescribed by the District following the giving of the above notice, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds, or in the case of (a) through (e) above, the Bond Insurer and the holders of all Outstanding Bonds, shall have consented to and approved the execution thereof, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Trustee or the District from executing such Supplemental Indenture or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Discharge of Indenture. If (1) all Bonds shall have become due and payable in accordance with their terms or otherwise as provided in the Indenture or have been duly called for redemption or irrevocable instructions to call the Bonds issued under the Indenture to pay them at maturity have been given by the District to the Trustee, and (2) the Trustee holds for such purpose cash or obligations that are either noncallable direct obligations of the United States of America or noncallable obligations, timely payment of which is guaranteed by the United States of America, the principal of and the interest on which, as verified by a licensed independent certified public accountant (that carries errors and omissions insurance) reasonably acceptable to the Trustee and the District, at maturity will be sufficient (without reinvestment) (A) to redeem in accordance with the Indenture all Bonds that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date set for such redemption, (B) to pay at maturity all Bonds issued under the Indenture not irrevocably called for redemption, (C) to pay interest accruing on all Bonds issued under the Indenture prior to their redemption or payment at maturity, (D) to make all payments required by the terms of any Supplemental Indenture, and (E) to pay the Trustee's fees and expenses and any other fees and expenses for which the District is responsible under the Indenture, including the costs and expenses of canceling and discharging the Indenture, then the Trustee shall, at the expense of the District, cancel and discharge the Indenture and execute and deliver to the District such instruments in writing as shall be necessary to cancel the lien of the Indenture, and assign and deliver to the District any property at the time subject to the Indenture that may then be in its possession, except moneys or securities in which such moneys are invested which are held by the Trustee for the payment of principal, or premium, if any, or interest on the Bonds issued under the Indenture.

Bonds for the payment or redemption of which cash or noncallable direct obligations of the United States of America, the principal of and premium, if any, and interest on which will be sufficient therefor, as determined by the Trustee in reliance on a report of a licensed independent certified public accountant, shall have been deposited with the Trustee (whether upon or prior to the date of their maturity or their redemption date) shall be deemed to be paid and no longer Outstanding; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts created under the Indenture, but only upon the terms set forth therein, to all of which the District agrees and the Bondholders agree by their acceptance of delivery of any of the Bonds. The obligations and duties of the Trustee shall be determined solely by reference to the Indenture and, except as expressly set forth in the Indenture, no duties, express or implied, shall be imposed on the Trustee. The Trustee may execute any of the trusts or powers contained in the Indenture and perform the duties required by it under the Indenture by or through attorneys, agents or receivers, and shall be entitled to the advice of counsel concerning all matters relating to the respective trusts and its duties under the Indenture. With limited exception, the Trustee shall not be responsible for any willful misconduct or negligence of any attorney, agent or receiver selected by it with due care.

Bond Insurance. The Bond Insurer has provided the Bond Insurance Policy pursuant to which it will pay principal of and interest on the Insured Bonds in accordance with the terms of the Bond Insurance Policy. In the event that the principal and/or interest due on the Insured Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, such Insured Bonds shall remain Outstanding for all purposes of the Indenture, and the assignment and pledge of the Indenture and all covenants, agreements and other obligations of the District to the Holders of the Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Holders of the Insured Bonds.

In the event that on the second business day prior to the payment date on the Insured Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Bonds due, the Trustee shall immediately notify the Bond Insurer or its designee by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of the deficiency. If the deficiency is made up in whole or in part by the payment date, the Trustee shall so notify the Bond Insurer. In addition, if the Trustee has notice that any Holder has been required to disgorge payments of principal or interest on the Insured Bonds pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Bond Insurer of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

Payments with respect to claims for interest on and principal of the Insured Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Bonds, and the Bond Insurer shall become the owner of such unpaid Insured Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the Indenture.

To the extent the Bond Insurer makes payments directly or indirectly, on account of principal of or interest on the Insured Bonds, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in the financing documents and the Insured Bonds. Thereafter, the Issuer will pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the financing documents and the Insured Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Insured Bonds, to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

The Bond Insurer is expressly recognized as a third-party beneficiary of the Indenture and may enforce any right, remedy or claim conferred, given or granted to the Bond Insurer thereunder. The Trustee shall give the Bond Insurer notices as follows: (i) no later than the date on which any notice is given to Bondholders, a copy of any notice to Bondholders (other than notices of mandatory sinking fund redemption); (ii) immediately upon such withdrawal, notice of any withdrawal from the Debt Service Reserve Fund; (iii) immediately upon any valuation of the Debt Service Reserve Fund which discloses a deficiency therein, notice of such deficiency; and (iv) no later than five days after the Trustee's knowledge thereof (or on the date of the Trustee's knowledge thereof, with respect to defaults in payment of principal or interest) notice of any Event of Default under the Indenture or the Guaranty.

SUMMARY OF CERTAIN PROVISIONS OF THE DEVELOPMENT AGREEMENT

The following is a summary of the Development Agreement. This summary does not purport to be complete and reference is made to the Development Agreement for a full and complete statement of the terms and provisions and for the definitions of capitalized terms in this summary.

The Development Agreement is an agreement pursuant to which the Developer will demolish the Old School and construct the New School on the western part of the property located at 29th and Calvert Streets, N.W. in the District of Columbia (the "Land"). The New School will be constructed in accordance with plans and specifications (the "Plans and Specifications") approved by The Board of Education of the District of Columbia ("DCPS") and the Developer. Under the Development Agreement, if the New School is not completed (subject to punch list items aggregating less than $50,000) by April 2, 2001, the Developer will be required to pay a $5,000 daily late delivery fee until Completion of the New School or termination of the Development Agreement by DCPS, unless such date is extended in accordance with the terms of the Development Agreement.

DCPS has the right to terminate the Development Agreement if the Developer is in material breach of the agreement and fails to cure such breach within a specified cure period, if the Developer fails to complete (subject to punch list items aggregating less than $50,000) the New School by April 2, 2001 (unless such date is extended in accordance with the terms of the Development Agreement), if any lien is placed against the New School Project relating to work performed by the Developer and not removed in accordance with the terms of the Development Agreement or if the Developer defaults under the provisions of any of the Bond Documents relating to the financing of the New School so that proceeds of the Bonds are no longer available to pay for continuation of construction of the New School.

The Development Agreement requires the parties to engage a Supervising Architect in an attempt to resolve disputes which may arise between them relating to the New School construction in a quick and expeditious manner. The Supervising Architect will opine as to when Completion of the New School occurs. Each of DCPS and the Developer will appoint a representative to facilitate communication with each other and with the Supervising Architect.

The Development Agreement recites that, in partial consideration for the Developer's execution thereof, the District has agreed to convey the eastern part of the Land to the Developer's designee and to grant such designee and future owners of such eastern part an abatement of real estate taxes in exchange for PILOT payments for a period of time expected to be thirty-five years. The PILOT payments to be made will be used to amortize revenue bonds to be issued by the District in the amount of $11,000,000, the proceeds of which will be used to finance the construction of the New School. The Development Agreement provides that in addition to paying the New School construction costs, $445,000 of the bond proceeds will be payable to or for DCPS, to be used for remediation of hazardous material at the Land, to pay for swing space for students while the New School is under development, the transportation to such swing space, and for other school rehabilitation and development projects; $400,000 will be paid to DCPS to be used for furniture, fixtures and equipment; $200,000 will be paid to DCPS's consultant on the Oyster Project, 21st Century School Fund, and $100,000 will be paid to a project manager to assist DCPS in overseeing the New School construction. The Developer will be entitled to a $40,000 fee. Should the project generate any cost savings (which is not currently anticipated), the savings would be paid to the Developer. It is anticipated that the Developer will be required to contribute approximately $760,000 in addition to the bond proceeds available in order to complete the construction of the New School.

The Developer is a single-purpose limited liability company established solely to construct the New School. In order to ensure that there will be sufficient financial wherewithal behind the Developer with respect to this project, an affiliate of the Developer, LCOR Incorporated, has agreed to guaranty the Developer's obligations under the Development Agreement. The Developer has also agreed to enter into an Environmental Agreement and Indemnity to protect the District and DCPS from liabilities, costs and/or expenses they may suffer as the result of the Developer's activities in connection with the New School Project relating to hazardous materials. LCOR Incorporated has agreed to guaranty the Developer's obligations under the Environmental Agreement and Indemnity.

SUMMARY OF CERTAIN PROVISIONS OF THE REPLACEMENT DEVELOPER AGREEMENT

The following is a summary of certain provisions of the Replacement Developer Agreement. This summary does not purport to be complete and reference is made to the Replacement Developer Agreement for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used in this summary.

Replacement of Developer by Apartment Completion Guarantor at the Direction of Apartment Completion Guarantor

Pursuant to the Replacement Developer Agreement, the District, DCPS, the Developer and the Apartment Completion Guarantor have agreed that in the event the Developer falls more than sixty (60) days behind in the schedule (the "Schedule") for construction of the New School established by the Apartment Completion Guarantor and Developer (other than due solely to approved Change Orders, District Delays and Unavoidable Delays as certified by Supervising Architect), the Apartment Completion Guarantor may so notify Developer, the District, DCPS and Supervising Architect in writing. Pursuant to the Replacement Developer Agreement, upon receipt of such written notification by all of the foregoing parties, the Apartment Completion Guarantor automatically replaces the Developer under the Development Agreement and all references to "Developer" thereunder shall thereafter refer to the Apartment Completion Guarantor. The Apartment Completion Guarantor has agreed in such circumstances to be bound by and comply with all of the terms and obligations of the Development Agreement as if it were the originally-named Developer thereunder.

Replacement of Developer by Apartment Completion Guarantor at the Direction of DCPS

The Replacement Developer Agreement provides that in the event DCPS terminates the Development Agreement, the District and DCPS are required to engage the Apartment Completion Guarantor as a replacement developer, in the event the Apartment Completion Guarantor requests that the District and DCPS do so in writing, upon the same terms and conditions set forth in the Development Agreement, provided that the Apartment Completion Guarantor is to be provided at least ninety (90) days from the date of such engagement in which to reach Completion but shall be required to pay the $5,000 daily late delivery fee set forth in the Development Agreement if the Completion Date is not reached by April 2, 2001 (as such date may be extended pursuant to Section 8.1 of the Development Agreement) until such time as the Completion is reached or DCPS terminates its engagement. Pursuant to the Replacement Developer Agreement, in the event that the Apartment Completion Guarantor is engaged, the District, DCPS and the Apartment Completion Guarantor are required to state in writing the date until which the Apartment Completion Guarantor shall have to reach Completion, which shall be the later of (a) April 2, 2001 (as such date may be extended pursuant to Section 8.1 of the Development Agreement) or (b) ninety (90) days from the date of such engagement, and that DCPS has the right to terminate the engagement for cause if Completion is not reached by such date.

Assignment of Contracts and Agreements by Developer to Apartment Completion Guarantor

Pursuant to the Replacement Developer Agreement, in the event that the Apartment Completion Guarantor becomes the replacement developer, Developer or the District, as appropriate, is required to assign to the Apartment Completion Guarantor all contracts and agreements to which Developer is a party which are necessary for the Apartment Completion Guarantor to complete the New School Project. In such event the District, DCPS and Developer are required to amend the Assignment of Contracts and Performance Bonds to facilitate this Assignment. The Apartment Completion Guarantor is required to assume all of Developer's subsequent obligations under the Environmental Agreement and Indemnity between the District and Developer in such instance.

SUMMARY OF CERTAIN PROVISIONS OF THE DISPOSITION AGREEMENT

The following is a summary of certain provisions of the Disposition Agreement. This summary does not purport to be complete and reference is made to the Disposition Agreement for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used herein.

Definitions

"Grantee" means Henry Adams House Apartments LLC (except to the extent modified as described in the Disposition Agreement). The term "Grantee" also means the record owner or owners of all lots constituting the Property as it or they may appear from time to time. The rights and burdens established under the Disposition Agreement, including, without limitation, the covenants provided in the Absolute Assignment of Leases and Rents, are to be covenants that run with and burden the Property for the benefit of Grantor.

"Grantor" means the District of Columbia.

"Property" means the parcel of real estate abutting Calvert Street, N.W., Washington, D.C., as more particularly described in Exhibit A to the Disposition Agreement (the "Land"), and all of Grantor's right, title and interest in and to all appurtenances to the Land, including, without limitation: all easements benefiting the Land, any unpaid award in respect of any street, road, alley or avenue in front of or adjoining the Land, and any unpaid award for damage by reason of any change in the grade of any such street, road, alley or avenue; and development rights providing sufficient FAR (floor area ratio) to permit Grantee to develop a not less than 211-unit apartment project on the Land (the "Development Rights"). The term "Property" also includes any and all improvements existing on the Land at any time.

"Real Property Taxes" means taxes imposed under Chapter 8 of Title 47 of the Code of The District of Columbia or any amendment or successor provisions thereto and any taxes or other charges imposed by the District of Columbia in lieu of or in substitution for any of the foregoing.

Conveyance

Pursuant to the terms of the Disposition Agreement, Grantor agrees to convey to Grantee, and Grantee agrees to accept from Grantor, the Property. The Property is to be delivered to Grantee vacant and free and clear of all occupancies and tenancies.

Abatement of Real Property Taxes; Grantee's Obligations to make PILOT Payments

Under the Disposition Agreement, Grantor grants, for the benefit of Grantee, an abatement against Real Property Taxes for the PILOT Period, for which period no Real Property Taxes are due or payable with respect to the Property. In lieu of paying Real Property Taxes to Grantor that would otherwise become due and payable with respect to the Property, Grantee is required to make annual payments in lieu of taxes ("PILOT Payments") in amounts sufficient to pay all regularly scheduled principal and interest payments on those certain revenue bonds to be issued by Grantor to fund the cost of constructing a new James F. Oyster Elementary School pursuant to the Development Agreement (the "Bonds"). Commencing on the twenty-fifth day of the 24th month following the month during which the Bonds are issued, and on the same day of each month thereafter during the remainder of the PILOT Period, Grantee is required to make monthly deposits equal to 1/12 of the annual PILOT Payment obligations (any such payment, a "PILOT Installment") to the trustee appointed by Grantor to administer the Bonds (the "Trustee") under its Indenture of Trust. The PILOT Payments for the first two years of the PILOT Period are to be prefunded to the Trustee, as capitalized interest, upon issuance of the Bonds, and Grantee shall have no further obligation to make PILOT Payments for such two year period.

Grantee is not personally liable for making the PILOT Payments to the same extent that the owners of real property in the District of Columbia are not personally liable to pay Real Property Taxes. The PILOT Payments constitute a prior and perfected claim over all other claims against the Property. If Grantee fails to make the PILOT Payments, Grantor may: (i) enforce payment of any overdue PILOT Installment in the same manner as delinquent Real Property Taxes are enforceable; (ii) require Grantee to make the total annual PILOT Payment in full for the remainder of the Bond Year in which any PILOT Installment payment default occurs; (iii) commence collection proceedings against the rents of the Property at any time failure to make a PILOT Installment occurs; or (iv) exercise any other remedies available at law or equity.

Notwithstanding the foregoing, the Disposition Agreement provides that Grantor shall take no action against or which would adversely affect the Retained Parcel as a result of any failure by Grantee to make any PILOT Payments.

PILOT Period

The tax abatement period during which PILOT Payments are to be made will be for a period of years equal to the lesser of the original term of the Bonds when issued or thirty-five (35) years (the "PILOT Period"). Following the termination of the PILOT Period, the Property is to be assessed for, and is to be subject to the obligation for payment of, Real Property Taxes.

PILOT Collection Agency

If at any time during the PILOT Period Grantee establishes additional assessment and taxation or record ownership lots with respect to the Property, all PILOT Payments due with respect to each of such lots are to be the responsibility of and collected and delivered to the Trustee by a central entity (the "PILOT Collection Entity" and such amounts collected by it, the "PILOT Collection Entity Fund") to be provided for, organized and maintained by Grantee under the laws of the District of Columbia. The PILOT Collection Entity is to have the same obligation with respect to PILOT Payments as imposed on Grantee pursuant to the Disposition Agreement. The PILOT Collection Entity Fund is to be used solely for the purpose of making PILOT Payments and is to be maintained in a segregated account subject to security arrangements in favor of and reasonably satisfactory to the Trustee. Each of the lots constituting part of the Property shall be jointly and severally liable for the PILOT Payments due under the Disposition Agreement, and should any amount due with respect to any PILOT Installment not be paid when due, the remedies specified in the Disposition Agreement may be exercised against the PILOT Collection Entity Fund or against any or all of such lots or against any of the foregoing.

Assignment of Leases, Rents, Income and Profits

Grantee is required to cause the leases, rents, income and profits generated by the Property, or any part thereof consisting of six or more rental units owned by a single owner or such owner and his affiliates, to be subject to a senior absolute and unconditional assignment to, and subject to a first priority security interest in favor of, Grantor for the benefit of the Trustee, which may be in the form of a sub-assignment from any entity holding such a first priority assignment and security interest (the "Absolute Assignment of Leases and Rents") to secure all of the obligations to make PILOT Payments, provided that Grantee shall have a license to collect and use for its own benefit such leases, rents, income and profits for so long as the PILOT Payments are not in default. Each Absolute Assignment of Leases and Rents is required to provide that if the PILOT Payments are in default, all present and future lessees of all or any part of the Property subject to such Absolute Assignment of Leases and Rents are instructed to pay all unpaid rents and other sums due under their leases to Grantor for the benefit of the Trustee, until such default is cured, upon receipt of demand from the Trustee to so pay the same.

Recordation of PILOT Memorandum

At settlement, Grantor is required to cause to be recorded in the appropriate land records of the District of Columbia a memorandum of the PILOT Payments provisions of the Disposition Agreement (the "PILOT Memorandum") as shall be sufficient to fully give public notice of and implement the tax abatement and PILOT Payment agreement effected by the Disposition Agreement.

Instruments of Conveyance

The Disposition Agreement provides that immediately following the issuance of the Bonds, Grantor is required to execute and deliver to Grantee a Special Warranty Deed conveying the Property in the form specified in the Disposition Agreement. Immediately following recordation of the Special Warranty Deed, the Covenant is to be recorded, then the PILOT Memorandum is to be recorded, and then the Absolute Assignment of Leases and Rents is to be recorded.

SUMMARY OF CERTAIN PROVISIONS OF THE ABSOLUTE ASSIGNMENT OF LEASES AND RENTS

The following is a summary of certain provisions of the Absolute Assignment of Leases and Rents. This summary does not purport to be complete and reference is made to the Absolute Assignment of Leases and Rents for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used in this summary.

Assignment

Pursuant to the Absolute Assignment of Leases and Rents, the Owner will grant, bargain, sell and convey to the Apartment Completion Guarantor all rents and profits arising from the Property and rights, titles, interests and privileges, as lessor, in leases then existing or thereafter made affecting the Property.

Effect of Non-Payment of PILOT Payments; PILOT Default

Pursuant to the Absolute Assignment of Leases and Rents, any default by the Owner in the making of any of the PILOT Payments (a "PILOT Default") constitutes an event of default under the Absolute Assignment of Leases and Rents allowing the Apartment Completion Guarantor to exercise all rights and remedies provided in the Absolute Assignment of Leases and Rents for the purpose of curing such PILOT Default.

Assignment of the Apartment Completion Guarantor's Rights

The Absolute Assignment of Leases and Rents provides that the Apartment Completion Guarantor may assign to the District and its designee (including the Trustee), the right to exercise all rights and remedies under the Absolute Assignment of Leases and Rents to obtain all sums necessary to cure any PILOT Default and to cover all costs and expenses reasonably incurred in seeking such cure. Pursuant to the Absolute Assignment of Leases and Rents, the Owner has authorized and directed all tenants under leases between the Owner and tenants of the Property (the "Leases"), all guarantors of the Leases, all insurers providing rental loss or business interruption insurance with respect to the Property, all governmental authorities and all other occupants of the Property upon receipt from the District or its designee of written notice to the effect that a PILOT Default exists, to pay over to the District or its designee all rents and other amounts due and to become due under the Leases and under guaranties of the Leases and all other issues and proceeds from the Property and to continue to do so until otherwise notified in writing by the District or its designee. Pursuant to the Absolute Assignment of Leases and Rents, this right may be exercised without the District taking actual or constructive possession of the Property or any part thereof.

Pursuant to the Absolute Assignment of Leases and Rents, the District and its designee, including the Trustee, are specifically made third-party beneficiaries of the Absolute Assignment of Leases and Rents.

SUMMARY OF CERTAIN PROVISIONS OF THE SUB-ASSIGNMENT OF LEASES AND RENTS

The following is a summary of certain provisions of the Sub-Assignment of Leases and Rents. This summary does not purport to be complete and reference is made to the Sub-Assignment of Leases and Rents for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used in this summary.

Assignment

Pursuant to the Sub-Assignment of Leases and Rents, the Apartment Completion Guarantor has irrevocably and unconditionally assigned to the District all of the Apartment Completion Guarantor's rights under the Absolute Assignment of Leases and Rents to be exercised only in the event of a default in the making of a PILOT Payment ("PILOT Default") and only to the extent necessary to cure such PILOT Default and reimburse the District for all costs and expenses reasonably incurred by the District in seeking a cure of such PILOT Default. To the extent the District advises the Apartment Completion Guarantor that the District is entitled and elects to exercise such rights, the Apartment Completion Guarantor is required to refrain from doing so during such period as the District indicates that it will exercise such rights and remedies. Pursuant to the Sub-Assignment of Leases and Rents, the District may designate the Apartment Completion Guarantor to exercise such rights on the District's behalf.

Application of Funds

All sums collected upon the exercise of any rights and remedies under the Absolute Assignment of Leases and Rents by any party are to first be applied to cure any then existing PILOT Default and reimburse the District for any costs and expenses reasonably incurred by the District in seeking such cure.

Primary Assignment Obligations

Pursuant to the Sub-Assignment of Leases and Rents, the Apartment Completion Guarantor is required to cause the Absolute Assignment of Leases and Rents at all times that the Sub-Assignment of Leases and Rents is in effect to contain a provision acknowledging and agreeing to the District's rights under the Sub-Assignment of Leases and Rents.

Trustee Delegation

All rights granted to the District under the Sub-Assignment of Leases and Rents may be exercised on the District's behalf by the Trustee.

SUMMARY OF CERTAIN PROVISIONS OF THE APARTMENT COMPLETION GUARANTY

The following is a summary of certain provisions of the Apartment Completion Guaranty. The summary does not purport to be complete or definitive and reference is made to the Apartment Completion Guaranty for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used in this summary.

Guaranteed Monthly Installments

Pursuant to the Apartment Completion Guaranty, the Apartment Completion Guarantor unconditionally guarantees to the District and the Trustee, for the benefit of the owners from time to time of the Bonds, the payment of all of the Owner's obligations under the Disposition Agreement to make monthly deposits of one-twelfth of the annual PILOT on the 25th day of each month, commencing on November 25, 2001, and ending on October 25, 2002 (the "Guaranteed Monthly Installments"). The Apartment Completion Guarantor also unconditionally guarantees to the District and the Trustee, for the benefit of the owners from time to time of the Bonds, the purchase of the Bonds in the event of a Mandatory Tender.

Assignment of Apartment Completion Guaranty to Successor Trustee

The Apartment Completion Guaranty may be assigned to a successor trustee under the terms and provisions of the Indenture.

Nature of Apartment Completion Guarantor's Obligations under the Apartment Completion Guaranty

The obligations of the Apartment Completion Guarantor under the Apartment Completion Guaranty are to be independent, absolute and irrevocable and are to remain in full force and effect until the earlier of Completion or December 15, 2002 (the "Expiration Date"). Until the Expiration Date, the obligations of the Apartment Completion Guarantor under the Apartment Completion Guaranty are not to be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to or the consent of the Apartment Completion Guarantor: (a) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the District under the Indenture; (b) the failure to give notice to the Apartment Completion Guarantor of the occurrence of a default under the terms and provisions of the Indenture, except as specifically provided in the Apartment Completion Guaranty or the Indenture; (c) the waiver of the payment, performance or observance by the District or the Trustee of any of the obligations, covenants, or agreements of either of them contained in the Indenture or the Apartment Completion Guaranty; (d) the extension of the time for payment of any principal of or interest on any Bond or any part thereof owing or payable on such Bond or under the Apartment Completion Guaranty or of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture or the Apartment Completion Guaranty or the extension or renewal of either thereof; (e) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture; (f) the taking or the omission of any of the actions referred to in the Indenture and any actions under the Apartment Completion Guaranty; (g) any failure, omission, delay or lack on the part of the District or the Trustee to enforce, assert or exercise any right, power or remedy conferred on the District or the Trustee in the Apartment Completion Guaranty or the Indenture, or any other act or acts on the part of the Owner, the District, the Trustee or any of the holders at any time or from time to time of the Bonds; or (h) the voluntary liquidation, dissolution, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting the Owner or the District or any of the assets of either of them, or any allegation or contest of the validity of the Apartment Completion Guaranty, the Indenture or the Bonds in any such proceeding or the sale or other disposition of all or substantially all the assets of the Owner.

Remedies

In the event of a default in payment of any of the Guaranteed Monthly Installments ("Nonpayment Event"), the District or the Trustee, in its sole discretion, may proceed first and directly against the Apartment Completion Guarantor under the Apartment Completion Guaranty without proceeding against or exhausting any other remedies which it may have and without resorting to any other security held by it, and in so proceeding against the Apartment Completion Guarantor, no election of remedies shall be deemed to have been made by the District or the Trustee as to the Owner, the Apartment Completion Guaranty or any other security or remedy. Upon the occurrence of a Nonpayment Event, the Trustee is required to give to the Apartment Completion Guarantor telephonic, telegraphic or telecopied notice thereof, and the Apartment Completion Guarantor or Owner may cure such Nonpayment Event by paying the unpaid installment of the PILOT to the Trustee not later than 12:00 noon, Milwaukee time, two (2) Business Days thereafter, in immediately available funds. If the Nonpayment Event is not cured as provided in the Apartment Completion Guaranty, the Trustee shall give the Apartment Completion Guarantor telephonic, telegraphic or telecopied notice thereof, and the Apartment Completion Guarantor or the Owner may cure such Nonpayment Event by paying to the Trustee the unpaid installment of the PILOT and depositing with the Trustee the remainder of the Guaranteed Monthly Installments not later than 12:00 noon, Milwaukee time, thirty (30) days thereafter, in immediately available funds.

If a mandatory tender occurs pursuant to the Indenture, the Trustee is required to give to the Apartment Completion Guarantor telephonic, telegraphic or telecopied notice thereof at least 30 but not more than 60 days prior to the tender date stating that the Apartment Completion Guarantor is required to make payment to the Trustee by 12:00 noon, Milwaukee time, on such tender date in a specified amount which will be sufficient for the payment in full of the principal of and accrued interest on the Bonds on such tender date.

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

[This Page Intentionally Left Blank]

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

December __, 1999

District of Columbia
441 4th Street, N.W.
Washington, D.C. 20001

$11,000,000
District of Columbia
James F. Oyster Elementary School
PILOT Revenue Bonds,
Series 1999

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the District of Columbia (the "District"), of its $11,000,000 James F. Oyster Elementary School PILOT Revenue Bonds, Series 1999 (the "Bonds"). Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued. Capitalized terms used and not defined herein shall have the meanings set forth in the Indenture, as hereinafter defined.

The Bonds are issued under and are equally and ratably secured by an Indenture of Trust dated as of November 1, 1999 (the "Indenture"), between the District and Norwest Bank Minnesota, N.A., as Trustee (the "Trustee"). Proceeds of the Bonds will be used to develop and construct a new James F. Oyster Elementary School pursuant to a Development Agreement, effective as of the date hereof, between the District of Columbia Board of Education ("DCPS"), the District and LCOR New Oyster School L.L.C. (the "Developer"). Pursuant to the Development Agreement, the Developer has caused an affiliate of the Developer, which affiliate is acquiring title to the Private Site and will subject such Private Site to the obligation to make payments in lieu of taxes (the "PILOT") in an amount sufficient to pay principal, premium, if any, and interest on the Bonds when due. The Indenture assigns to the Trustee as security for the Bonds (a) all amounts on deposit in the funds and accounts created under the Indenture, except the Arbitrage Rebate Fund, (b) the PILOT, and (c) all other property pledged as security for the Bonds under the Indenture.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the District and DCPS as to certain facts relevant to our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The District and DCPS have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants").

The Northwestern Mutual Life Insurance Company (the "Guarantor") has entered into a Guaranty (the "Guaranty") effective the date hereof for the benefit of the District and the Trustee providing for the payment of certain amounts due on the Bonds in certain circumstances. Reference is made to the Guaranty for a full statement of its terms and conditions and to the opinion of counsel to the Guarantor as to the due authorization, execution and delivery of the Guaranty and the enforceability thereof, upon which you are relying as to matters therein. No opinion as to such matters is expressed herein.

Based on the foregoing, we are of the opinion that:

1. The District is a body politic and corporate duly created and organized and validly existing for municipal purposes under the Constitution of the United States of America and the Home Rule Act, with corporate power and authority to enter into and perform its obligations under the Indenture, to issue the Bonds, to apply the proceeds of the Bonds in the manner described in the Indenture and to pledge and assign to the Trustee amounts held or to be held in the funds and accounts under the Indenture.

2. The Bonds have been duly authorized and issued in accordance with the Home Rule Act and the Oyster Elementary School Construction and Revenue Bond Act of 1998, D.C. Law 12-174, as amended (the "Act"), and constitute valid and binding limited obligations of the District payable as to principal, premium, if any, and interest solely from the revenues and receipts pledged thereto, including the PILOT, pursuant to the Indenture. The Bonds are special limited obligations of the District. The Bonds do not constitute a debt or pledge of the faith and credit of the District, do not constitute a debt of the District and do not constitute a lending of the public credit of the District for a private undertaking prohibited by section 602(a)(2) of the Home Rule Act.

3. The Indenture has been duly authorized, executed and delivered by the District and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and binding agreement of the District and is enforceable against the District in accordance with its terms.

4. Under existing law, interest on the Bonds (a) is not included in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal

alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing tax. Failure by the District to comply with the Covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

5. Under existing law, interest on the Bonds is exempt from all District taxation, except estate, inheritance and gift taxes.

6. The rights of the holders of the Bonds and the enforceability of such rights, including the enforcement by the Trustee of the obligations of the District under the Indenture, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws effecting the rights of creditors generally, and (b) principles of equity, whether considered at law or in equity.

Our services as bond counsel to the District have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. We express no opinion herein as to the financial resources of the District, the Developer and its affiliate or the Guarantor, their ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the District's Preliminary Official Statement dated November 12, 1999, and its Official Statement dated November 24, 1999, that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

[This Page Intentionally Left Blank]

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated December __, 1999 (the "Disclosure Agreement") is executed and delivered by the District of Columbia (the "District"), Norwest Bank Minnesota, N.A, as Trustee (the "Trustee"), and Henry Adams House Apartments LLC, a Delaware limited liability company, in connection with the issuance of $11,000,000 District of Columbia James F. Oyster Elementary School PILOT Revenue Bonds, Series 1999 (the "1999 Bonds"). The 1999 Bonds are being issued pursuant to the Oyster Elementary School Construction and Revenue Act of 1998, as amended (the "Act"). In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the holders and Beneficial Owners of the 1999 Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Definitions. In addition to the definitions set forth in the Act, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean the financial information provided by the Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 1999 Bonds (including persons holding 1999 Bonds through nominees, depositories or other intermediaries).

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B hereto.

"Official Statement" shall mean the District's Official Statement dated November 24, 1999 relating to the 1999 Bonds.

"Owner" shall mean the record owner or owners of the Private Site (as defined in the Official Statement). Henry Adams House Apartments LLC is the initial Owner.

"Participating Underwriter" shall mean the original underwriter of the 1999 Bonds required to comply with the Rule in connection with the purchase and offering of the 1999 Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity, if any, designated by the District as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

"Trustee" shall mean Norwest Bank Minnesota, N.A., as Trustee under the Indenture of Trustee between the District and the Trustee.

SECTION 3. Provision of Annual Financial Information.

(a) The Owner hereby agrees, in accordance with the provisions of the Rule, to provide through the Trustee on behalf of the District to each Repository within 120 days of the end of each fiscal year of the Owner, the following annual financial information and operating data:

(i) commencing with the fiscal year of the Owner ended December 31,1999, a copy of the Annual Financial Information of the Owner; and

(ii) commencing with the fiscal year of the Owner ended December 31, 1999, an update of the information in the Official Statement pertaining to rental rates and occupancy levels of the Apartment Project (as defined in the Official Statement) contained in APPENDIX A– "APPRAISAL – Derivation of Market Rents".

(b) If the District has not received the Annual Financial Information of the Owner for a given fiscal year by the one hundred twentieth (120^{th}) day after the end of such fiscal year, the Trustee shall provide notice to the National Repositories (as provided in Exhibit A hereto) that the Owner has not provided Annual Financial Information.

SECTION 4. Content of Annual Financial Information. The Owner's Annual Financial Information shall contain or include by reference the audited financial statements of the Owner for the immediately preceding fiscal year prepared in accordance with generally accepted accounting principles and audited by a certified public accountant.

SECTION 5. Material Events.

The District shall timely provide to the Trustee and the Trustee shall promptly provide without further direction or instruction from the District to each Repository or to the Municipal Securities Rulemaking Board (the "MSRB") notice of any of the following events with respect to the 1999 Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on the debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events adversely affecting the tax-exempt status of the 1999 Bonds;

7. Modifications to rights of holders of the 1999 Bonds;

8. Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the 1999 Bonds; and

11. Rating changes.

The Owner shall promptly provide notice to the District and the Trustee of the occurrence of a Listed Event of which the Owner receives written notice. The Owner or the District may from time to time, in their individual discretion, choose to provide notice of the occurrence of certain other events, in addition to those listed above if, in its judgment, such other events are material with respect to the 1999 Bonds, but neither the Owner nor the District specifically undertakes to commit to provide any such additional notice of the occurrence of any material event except those events listed above.

For purposes of clause (6) above, adverse tax opinions or events affecting the tax-exempt status of the 1999 Bonds shall include but not be limited to:

(i) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the 1999 Bonds is not tax-exempt; or

(ii) Any audit, investigation or other challenge of the tax-exempt status of the 1999 Bonds by the Internal Revenue Service in any administrative or judicial proceeding.

SECTION 6. Termination of Reporting Obligation. The District's obligations and the Owner's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, redemption prior to maturity or payment in full of all of the 1999 Bonds. If such termination occurs prior to the final maturity of the 1999 Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Owner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 1999 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 1999 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the 1999 Bonds in the same manner as provided in the Act for amendments to the Act with the consent of holders of the 1999 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the 1999 Bonds.

In the event of any amendment of a provision of this Disclosure Agreement with respect to the type of financial information or operating data to be provided, the Owner shall describe such amendment in the Annual Financial Information of the Owner for the succeeding fiscal year, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type of financial information or operating data being presented by the Owner. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Financial Information for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District or the Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication in addition to that which is required by this Disclosure Agreement. If the Owner chooses to include any information in any Annual Financial Information or if the District chooses to provide notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, neither the District or the Owner shall have any obligation under this Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District or the Owner to comply with any provision of this Disclosure Agreement any holder or Beneficial Owner of the 1999 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Owner to comply with their respective obligations under this Disclosure Agreement. Any Beneficial Owner may take such actions as may be necessary and appropriate, including pursuing an action for mandamus or specific performance, as applicable, by court order, to cause the District or the Owner to comply with their respective obligations under this Disclosure Agreement.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Owner, the Participating Underwriter and holders and Beneficial Owners from time to time of the 1999 Bonds, and shall create no rights in any other person or entity.

SECTION 11. Successor Owners. This Disclosure Agreement shall be binding on the owner of the Private Site at the time with respect to which an obligation of the Owner hereunder arises and is required to be fulfilled, which owner shall then be liable for such obligation until fulfilled.

SECTION 12. Governing Law; Enforcement. This Disclosure Agreement shall be construed and interpreted in accordance with the laws of the District of Columbia, without giving effect to conflict of law principles, and any suits and actions arising out of this Disclosure Agreement shall be instituted in a court of competent jurisdiction in the District of Columbia.

Date: December __, 1999

THE DISTRICT OF COLUMBIA

By: ______________________________

Title: ______________________________

NORWEST BANK MINNESOTA, N.A.

By: ______________________________

Title: ______________________________

HENRY ADAMS HOUSE APARTMENTS LLC,
A Delaware Limited Liability Company ("HAHA")

By: THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY,
A Wisconsin Corporation,
A Member of HAHA

By: NORTHWESTERN INVESTMENT MANAGEMENT COMPANY,
A Wisconsin Corporation,
Its Wholly Owned Subsidiary and Authorized Representative

By: ______________________

Name: ______________________

Title: ______________________

By: LCOR HENRY ADAMS HOUSE LLC,
A Delaware Limited Liability Company ("LHAH"),
A Member of HAHA

By: LCOR PUBLIC/PRIVATE L.L.C.,
A Delaware Limited Liability Company
("PUB/PRIV"),
A Member of LHAH

By: LCOR HOLDINGS L.L.C.,
A Delaware Limited Liability
Company,
A Member of PUB/PRIV

By: ______________________
Name: ____________________
Title: _____________________

EXHIBIT A

NOTICE TO NATIONAL REPOSITORIES OF FAILURE TO FILE ANNUAL FINANCIAL INFORMATION

Name of Issuer: ________________________________

Name of Bond Issue: ____________________________

Date of Issuance: ______________________________

NOTICE IS HEREBY GIVEN that ____________________________ (the "Owner") has not provided Annual Financial Information to the undersigned with respect to the above-named 1999 Bonds as required by the Continuing Disclosure Agreement dated as of ________, 1999. The undersigned anticipates that the Annual Financial Information will be filed by ___________.

Date: ______________________

NORWEST BANK MINNESOTA, N.A.

By: _________________________________

EXHIBIT B

This is a list of Nationally Recognized Municipal Securities Information Repositories (the "National Repositories") at the time of execution and delivery of the Disclosure Agreement.

This list may change from time to time. The Disclosure Agreement requires that information and notices be provided to each of the National Repositories. This list should be checked for changes each time information or notice is to be provided. A current list of the National Repositories may be obtained from the Securities and Exchange Commission over the Internet at http://www.sec.gov/consumer/nrmsir.htm.

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

Standard & Poor's
J. J. Kenny NRMSIR Repository
55 Water Street, 45th Floor
New York, NY 10041-0003
Phone: (212) 438-4595
Fax: (212) 438-3975

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3d Floor
New York, NY 10014
Phone: (212) 807-5001 or
(800) 689-8466
Fax: (212) 989-2078
E-mail: Disclosure@Muller.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

APPENDIX E

SPECIMEN BOND INSURANCE POLICY

[This Page Intentionally Left Blank]

ACA Financial Guaranty Corporation
140 Broadway, 47th Floor
New York, NY 10005
For information, contact:
(212) 375-2000
(888) 427-2833

BOND INSURANCE POLICY

Policy Number: **Effective Date:**

Issuer:

Bonds:

ACA FINANCIAL GUARANTY CORPORATION ("ACA"), a Maryland stock insurance company, in consideration of the payment of the premium and subject to the terms and conditions contained in this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as designated in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of any Owner, or, at the election of ACA, directly to such Owner, that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

ACA will make such payments to or for the benefit of each Owner on the later of the day on which such principal or interest becomes Due for Payment or the Business Day next following the Business Day on which ACA shall have received Notice of Nonpayment. ACA will disburse to or for the benefit of the Owner the face amount of principal of and interest on the Bond which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by ACA, in form reasonably satisfactory to it, of (i) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Owner's rights to payment of such principal or interest then Due for Payment shall thereupon vest in ACA. Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. Eastern prevailing time on such Business Day; otherwise, it will be deemed received on the next Business Day. Upon disbursement in respect of a Bond, ACA shall become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal of or interest on such Bond and shall be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof to the extent of any payment by ACA hereunder. Payment by ACA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of ACA under this Policy.

This Policy is non-cancelable for any reason and the premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity.

The following terms shall have the meanings specified for all purposes of this Policy. The term "Owner" means, as to a particular Bond, the person other than the Issuer or any party whose direct or indirect obligation constitutes the underlying security for the Bonds, who at the time of Nonpayment , is entitled under the terms of such Bond to payment thereof. "Due for Payment" means (a) when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless ACA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a bond, the stated date for payment of interest. "Nonpayment" with respect to a Bond means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Bond. "Nonpayment" shall also include any payment of principal or interest made to an Owner by or on behalf of the Issuer of such Bond which has been recovered from such Owner pursuant to a final, non-appealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law. "Notice" means telephonic or electronic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to ACA, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in the State of Maryland or the Insurer's Fiscal Agent are authorized or required by law to remain closed.

ACA may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent (a) copies of all notices required to be delivered to ACA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to ACA and shall not be deemed received until received by both and (b) all payments required to be made by ACA under this Policy may be made directly by ACA or by the Insurer's Fiscal Agent on behalf of ACA. The Insurer's Fiscal Agent is the agent of ACA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of ACA to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

There shall be no acceleration payment due under this Policy except at the sole option of ACA.

IN WITNESS WHEREOF, ACA has caused this Policy to be affixed with its corporate seal and to be executed on its behalf by its duly authorized representative.

ACA FINANCIAL GUARANTY CORPORATION

Authorized Representative