

**PURCHASER SHOULD READ THIS DOCUMENT FOR HIS/HER OWN
PROTECTION**

AMENDED PUBLIC OFFERING STATEMENT
(Phase I)

1700 KALORAMA LOFTS, A CONDOMINIUM

**1700 Kalorama Road, N.W.
Washington, D.C. 20009**

**PURCHASER SHOULD READ THIS DOCUMENT FOR HIS/HER OWN
PROTECTION**

**AMENDED PUBLIC OFFERING STATEMENT
(Phase I)**

Name of Condominium: 1700 Kalorama Lofts, a Condominium

Location of Condominium: 1700 Kalorama Road, N.W.
Washington, D.C. 20009

Lot: 81 Square: 2567 ANC. IC-08

Name of Declarant: 1700 Kalorama Condominium LLC
1700 Kalorama Road, N.W.
Washington, D.C. 20009

Effective Date of Public Offering Statement: July 16, 2003

District of Columbia law requires that the original seller of condominium units disclose fully and accurately the characteristics of the condominium units being offered for sale. This Amended Public Offering Statement (Phase I) (the "POS") is the means by which such disclosure is made. In the event of any misrepresentations made herein, the purchaser shall notify the Condominium and Cooperative Conversion and Sales Branch, Department of Consumer and Regulatory Affairs, 7th Floor, 941 North Capitol Street, N.E., Washington, D.C. 20001, Attn: Mrs. Linda W. Harried, Housing Regulations Specialist.

No Declarant may dispose of any interest in a condominium unit unless there is delivered to the purchaser a current POS by the time of such disposition and such disposition is expressly and without qualification or condition subject to cancellation by the purchaser within fifteen days after delivery of the current POS or within fifteen days after execution of the Purchase Agreement, whichever is later. The purchaser should inspect the condominium unit and all common areas and obtain professional advice. The District of Columbia Government does not warrant the accuracy of the statements made herein, nor has it passed on the merits of the condominium units offered for sale.

AFFIDAVIT

Richard W. Naing, the manager of RWN Development Group, LLC, a Maryland limited liability company, the manager of 1700 Kalorama Condominium LLC, a District of Columbia limited liability company (the "Declarant"), being duly sworn, deposes and says that the statements herein contained and the documents submitted are true and complete; and that as manager of the manager of the Declarant of the Condominium Project described, he is authorized to execute this affidavit.

1700 Kalorama Condominium LLC,
a District of Columbia limited liability company

By: RWN Development Group, LLC,
a Maryland limited liability company, as Manager

By: _____
Richard W. Naing, Manager

DISTRICT OF COLUMBIA, ss:

SUBSCRIBED AND SWORN TO before me this __ day of _____,
2003.

Notary Public

(NOTARIAL SEAL)

My Commission Expires: _____

INDEX TO AMENDED PUBLIC OFFERING STATEMENT

Page

Section I.	The Condominium Concept	1
A.	Condominium Ownership.....	1
Section II.	The Declarant	2
A.	Declarant.....	2
B.	Declarant’s Members Owning 10% or more of the membership interests	2
C.	Attorneys	3
D.	General Contractor.....	3
E.	Architect	3
F.	Surveyor	3
G.	Subcontractors	3
Section III.	Description of the Condominium	4
A.	The Units	5
B.	The Common Elements.....	6
C.	Warranty	8
D.	Compliance with Zoning, Housing and Building Codes.....	10
E.	Construction of the Project	10
F.	Board of Zoning Appeals Approvals.....	11
G.	Letter of Credit.....	12
Section IV.	The Declaration and the Bylaws	12
A.	Encumbrances	13
B.	Secondary Mortgage Market	13
C.	Restraints on Alienation	14
D.	Restrictions on Use	14
Section V.	Operation of the Condominium	15
A.	The Unit Owners Association.....	15
B.	Management	15
C.	Financial Matters	16
Section VI.	Unit Purchase.....	20
A.	Financing	21
B.	Purchase Agreement - Cancellation Rights of Purchasers.....	22
C.	Purchaser's Right to Cancel (Spanish Equivalent).....	22

D.	Options	22
E.	Purchase of Parking Units	23
F.	Storage Spaces	23
Section VII.	Risk Factors	23
A.	Over Development	23
B.	Short Term Resale Difficulties	23
C.	No Assurance of Completion of Construction of a Unit	23
D.	Effect of Roof	24
E.	General Economic Factors	24
F.	Environmental Factors	24
G.	Factors Relating to Commercial Units.....	24

EXHIBITS:

- A Condominium Plat and Plans
- B Condominium Declaration
- C Architect's or Engineer's Report
- D Condominium By-Laws
- E Management Agreement
- F Annual Operating Budget
- G Unit Financing Information
- H Purchase Agreement
- I Deed
- J Estimate of Settlement Charges
- K Condominium Fees
- L Condominium Guaranty Agreement Against Structural Defects

INTRODUCTION

This Amended Public Offering Statement (Phase I) ("POS") consists of two parts, a narrative portion and an exhibit portion. The narrative portion is intended to summarize significant features of the condominium and also to present other information of interest to the prospective purchaser. The exhibits include legal documents that are required for the creation and operation of the condominium. If there is any inconsistency between the exhibits and the narrative, the exhibits will govern. The Declarant's sales agent and other representatives are prohibited from changing any of the terms of the legal documents or features of the condominium or attempting to interpret their legal effect.

Section I. The Condominium Concept

A. Condominium Ownership

Condominium ownership is a property right that combines other forms of ownership. The condominium unit owner is not only the sole owner of the portion of the building which comprises his living quarters, but also one of the mutual owners of areas which the unit owner may use and enjoy along with the other unit owners. Each unit owner has an "undivided interest" in the common elements, which means that all the unit owners have a share in the ownership of all the common elements. An undivided interest gives the unit owner the right to share in the control of all common elements. He must also pay his share of the normal expenses of operating and maintaining all the common elements. It is the ownership of an undivided interest in the common elements which sets condominium ownership apart from other forms of property ownership. This undivided interest in the common elements is stated as a percentage and is referred to in the Declaration and Bylaws as the "Common Element Interest."

The use of the pronouns "he/his/him" is purely a matter of convenience and is intended to include both genders; the condominium is being offered to purchasers regardless of their gender.

1700 Kalorama Lofts, a Condominium, will consist initially, in what is herein referred to as Phase I ("Phase I"), of two commercial units on the first level, including a duplex unit on the first and second levels of the main structure, twenty (20) parking spaces located on the currently existing first level of the parking deck, ten (10) residential units in the main structure on the second level, and eighteen (18) parking spaces located on the currently existing second level of the parking deck. The parking spaces on the first and second level are referred to as the "Parking Units." Significant construction work remains to be done in order to finish the residential units in Phase I. The Declarant may add a maximum of twenty-six (26) additional residential units in what is herein referred to as Phase II ("Phase II"), including a maximum of twelve (12) residential units on each of the third and fourth floors of the main structure and two duplex residential units on the fifth and sixth levels. A substantial portion of Phase II remains to be constructed. Subject to the limitations of law and those contained in the Bylaws and the Declaration, commercial units may be converted into residential units and vice versa. A maximum of 30% of all units on the second floor and above may be used as commercial units (such commercial units, together with the initial two commercial units being sometimes referred

to herein as the “Commercial Units”). The maximum number of residential units that may be included in the condominium, including those which may be added by reason of future expansion will not exceed thirty-six (36) units. There can be no assurance that any residential unit or either phase of residential units will be completed. See Section VI, “Risk Factors.”

After the submission of each phase of the property to condominium status, each unit comprising the condominium will be individually owned. The project will be submitted to the condominium form of ownership by recording the condominium instruments among the Land Records of the District of Columbia.

Section II. The Declarant

A. Declarant

1. Name: 1700 Kalorama Condominium LLC
2. Address: 1700 Kalorama Road, N.W.
Washington, D.C. 20009
3. Organization:
 - a. Form: limited liability company
 - b. Date created: September 19, 2002
 - c. Jurisdiction in which created: District of Columbia

B. Declarant’s Members Owning 10% or more of the membership interests

Each of the following has a forty-nine and one-half (49.50%) percent membership interest in the Declarant:

SMR Investments, Ltd. Liability Co.
c/o Richard W. Naing
9410 River Road
Potomac, MD 20854

Richard W. Naing
9410 River Road
Potomac, MD 20854

In addition, SMR Investments, Ltd. Liability Co. is 100% owned by Richard W. Naing individually and/or in his capacity as guardian for the property of certain of his children.

C. Attorneys

1. Name: Arent Fox Kintner Plotkin & Kahn, PLLC
2. Address: 1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5339
Attn: Richard N. Gale

D. General Contractor

1. Name: American Property Construction
2. Address: 5701-M General Washington Drive
Alexandria, Virginia 22312

E. Architect

1. Name: Esocoff & Associates
2. Address: 1030 15th Street, NW, Suite 430
Washington, D.C. 20005

F. Surveyor

1. Name: Maddox Incorporated
- Address: 100 Park Avenue
Rockville, MD 20850

G. Subcontractors

1. Demolition:
Name: Demo-Tek Inc.
Address: 9430 Lanham Severn Road
Suite 209
Seabrook, MD 20706
Contact: Larry Beckford
2. Concrete:
Name: F&B Concrete
Address: 8201 Euclid Ave
Manassas Park, VA 20111
Contact: Greg Reynolds

3. Masonry:

Name: Frontier Masonry
Address: 7748 Finns Lane
Suite B-2
Lanham, MD 20706
Contact: Joe Busby

4. Steel/Miscellaneous Metals:

Name: Quality Erectors
Address: 16308 St. Thomas Church Road
Upper Marlboro, MD 20772
Contact: Butch Hebert

5. Elevator:

Name: Thyssen/Krupp Elevator
Address: 601 Nursery Road
Lithicum MD 21090
Contact: Chris Folkenberg

Section III. Description of the Condominium

The condominium consists of the land and improvements thereon commonly referred to as 1700 Kalorama Lofts, a Condominium, located at 1700 Kalorama Road, N.W., Washington, D.C 20009 (Square 2567, Lot 81). The property is located in a residential and commercial area that is characterized by numerous residential properties and several commercial establishments in the immediate area, including residential homes and other residential housing to the south and east. Commercial buildings are located to the immediate north and west of the building, including two commercial office buildings.

The pre-existing improvement on the land consisted of a two-story building and two-level parking deck developed for use as a commercial office building, which includes approximately 26,024 square feet of rentable space. The structure was built in 1923. In Phase I, there will be two (2) Commercial Units on the first level, including a duplex unit on the first and second levels all in the main structure, twenty (20) parking spaces located on the currently existing first level of the parking deck, ten (10) residential units in the main structure on the second level and eighteen (18) parking spaces located on the currently existing second level of the parking deck. Significant construction work remains to be done in order to finish the residential units in Phase I. The Declarant may add additional units, with a maximum of twenty-six (26) additional residential units to be created in Phase II, including a maximum of twelve (12) residential units on each of the third and fourth floors of the main structure and two duplex residential units on fifth and sixth levels. Significant construction work remains to be done in order to complete Phase II. Subject to the limitations of law and those contained in the Bylaws and the Declaration, Commercial Units may be converted into residential units and vice versa. A maximum of 30% of all units on the second floor and above may be used as Commercial Units. The maximum number of residential units that may be included in the condominium, including

those which may be added by reason of future expansion will not exceed thirty-six (36) units. The residential units, the Commercial Units and Parking Units are sometimes individually referred to as a “Unit” or a “unit” and sometimes are collectively referred to in this POS as the “Units.”

Declarant plans ultimately to sell all of the residential units and Parking Units but will reserve the right to lease the Commercial Units and lease Parking Units for a one year term.

A. The Units

Each residential unit can be individually utilized and has its own exit to the common elements of the condominium.

(i) Each residential unit and each Commercial Unit consists of the volumes or cubicles of space which are enclosed by upper and lower boundaries described as follows:

(a) Horizontal (upper and lower) Boundaries: The upper and lower horizontal boundaries of a residential unit and Commercial Unit are the following boundaries extended to an intersection with the vertical (perimetric) boundaries:

(1) Upper Boundary: The upper horizontal boundary is the horizontal plane of the bottom surface of the concrete slab or wood surface of the ceiling except in residential units and Commercial Units where there is a dropped ceiling in which locations the upper boundary is the horizontal plane which includes the top side of the acoustic tiles or wallboard of the dropped ceiling.

(2) Lower Boundary: The lower horizontal boundary is the horizontal plane of the top surface of the undecorated concrete floor slab or wood floor.

(b) Vertical (perimetric) Boundaries: The vertical boundaries of a residential unit and a Commercial Unit are the vertical planes which include the back surface of the wallboard of all walls bounding the unit extended to intersections with each other and with the upper and lower boundaries as depicted on the Plans.

(c) A residential unit includes, and the initial Commercial Units include, any heating and air conditioning apparatus serving only that particular unit (whether or not located within the unit boundaries), which apparatus is part of the unit. All immediately visible fixtures, appliances, cabinets, and the windows are part of the initial Commercial Units and the residential units. All decorated surfaces of all boundary walls, ceilings and floors, including wallpaper, painting, interior brick surface, wallboard, plaster, ceramic tile, hardwood floorings, and all other finishing materials are part of the unit. Any portion of a utility system or other apparatus serving more than one residential unit (*e.g.*, pipes, conduits, ducts) which is located partially within and partially outside the unit is part of the common elements. Any portion of a utility system or apparatus serving more than one Commercial Unit (*e.g.*, pipes, conduits, ducts) which is located partially within and partially outside the unit is a limited common element appurtenant to the

unit served. Any portion of a utility system serving only one residential unit or a Commercial Unit which is located outside the unit is a limited common element appurtenant to that unit.

(ii) Each Parking Unit shall consist of the volumes or cubicles of space which are enclosed by the lower, upper and lateral boundaries described as follows:

(a) Upper Boundary: An imaginary horizontal plane, the elevation of which is the lower of (i) the lower exterior surface of pipes, wires, conduits and other public utility lines, ventilation or other ducts running through a Parking Unit which are utilized or serve more than one unit or a unit and the common elements, and (ii) eleven feet six inches above the lower boundary of a Parking Unit.

(b) Lower Boundary: A horizontal plane, the elevation of which coincides with the unfinished upper surface of the asphalt or concrete slab of the Parking Unit, extended to intersect the lateral or perimetrical boundaries thereof.

(c) Lateral Boundary: The lateral boundary of each Parking Unit is an (1) imaginary vertical plane which coincides with the center line of the stripe or other marking on the asphalt or concrete slab on which the Parking Unit is located denoting and separating the Parking Unit as shown on the Plats and Plans, and (2) imaginary vertical planes intersecting the imaginary vertical plane noted in (1) above and denoting the entrance to, and the width of, each Parking Unit as shown on the Plats and Plans.

A unit shall be deemed not to include: pipes (except water and sewage pipes located within the boundaries of a Unit and serving only that unit), wires, conduits and other public utility lines, ventilation or other ducts, bearing walls and structural portions of the Building running through a unit which are utilized or serve more than one unit or a unit and the common elements, and all other property and fixtures of any kind which are not removable without jeopardizing the soundness, safety or usefulness of the remainder of the condominium.

The location and dimensions of the units for Phase I are set forth fully in the condominium plats and plans (the "Plats and Plans") attached as Exhibit A.

B. The Common Elements

The common elements consist of all portions of the "Property" other than the Units. The Property includes the land on which the condominium is located together with all improvements thereto and all easements, rights and appurtenances thereunto as provided under condominium law. The common elements are classified as either general common elements or limited common elements.

(i) General Common Elements. The general common elements consist of all common elements other than limited common elements, and include, without limitation, the following:

(a) the Land;

(b) the foundations, roof, slabs, floors, ceilings, perimeter walls, structural interior walls, heating equipment, equipment and meter room, common stairs, electric room, fire escapes, fire alarm system, security systems (serving all units), lighting systems, antenna, pipes (serving more than one unit), water mains, wires, conduits, air ducts, utility rooms, maintenance areas, service installations regardless of location, front entranceway adjacent to the initial Commercial Units, access ways to Parking Units; and

(c) trees, shrubbery, landscaping, steps, exterior lighting and other exterior devices of common use or necessary to the existence, upkeep, use and safety of the Property.

The locations of the common elements to which each Unit has direct access are shown on the Plats and Plans.

(ii) Limited Common Elements. The limited common elements are those common elements that are or will be reserved for the exclusive use of a specific Unit or Units. Pursuant to Section 42-1902.06(5) of Chapter 19 of Title 45 of the District of Columbia Code (the “Act”), any common element shown adjacent to a unit which is designed to serve a single unit, but located outside such unit’s boundaries, is a limited common element appurtenant to that unit.

The units and the common elements, both limited and general, are shown on the Plat and Plans, which are included in this POS as Exhibit A. A portion of the common elements is marked on the Plans as “Common Elements which may be assigned as Limited Common Elements.” This portion of the common elements includes the storage areas in common element storage rooms. Pursuant to Section 42-1902.13 of the Act, the Declarant reserves the exclusive right to assign these storage areas as limited common elements for the exclusive use of certain unit purchasers to whose units these storage areas shall become appurtenant. A more detailed legal description of the units and their boundaries, and the common elements, is contained in Article 2 and 3 of the Declaration that is Exhibit B to this POS.

Each initial Commercial Unit and each residential unit is allocated a percentage interest in the common elements equal to the par value assigned to the unit as set forth in Exhibit E to the Declaration (the “Common Element Interest”). The Common Element Interest in the common elements shall not be separated from the unit and shall be deemed to be conveyed or encumbered with the unit even though such individual interest is not expressly mentioned as described in the document if conveyable or encumbered. Except for the Parking Units, the Declarant established the par value of each unit on the basis of the approximate relative square footage of the unit.

The By-Laws provide that liability for common expenses will be assessed against each unit in proportion to the unit’s Common Element Interest. The liability of the unit owner for common expenses is discussed under “Operation of the Condominium” below.

In addition to incurring liability for common expenses which are assessed based on the Common Element Interest assigned to a particular unit, each unit owner will also incur liability

for expenses that exclusively benefit that unit (e.g. certain utilities) as well as the expenses of the limited common elements for that unit, which expenses are more fully described in the Bylaws.

Pursuant to the Bylaws, certain expenses may benefit only the residential units, or only the Parking Units or only the Commercial Units. Such expenses shall be assessed against each Unit Owner of a residential unit, or a Parking Unit or a Commercial Unit in proportion to the Common Element Interests designed for such Units.

The condition of the existing structure, and the construction and renovation to be undertaken by the Declarant is discussed under “Construction and Condition of the Structure” below, and is also discussed in the Architectural Report which is Exhibit C to this POS.

C. Warranty

Each of the units will be warranted by the Declarant against structural defects for two years from the date each is conveyed, and all the common elements are warranted against structural defects for two years from the date that they are completed or from the date that the first unit is conveyed, whichever is later. Upon settlement of the first residential unit in the Condominium, Declarant will post a letter of credit to secure performance of such obligation pursuant to a Condominium Guaranty Agreement Against Structural Defects in the form of Exhibit L attached hereto which Declarant intends to enter into with the Mayor of the District of Columbia and the Unit Owners’ Association of the Condominium. Structural defects covered by the warranty are only those defects in components constituting any of the units or common elements which reduce the stability or safety of the structure below standards commonly accepted in the real estate market, or restrict the normally intended use of all or part of the structure and which require repair, renovation, reconstruction or replacement. The Declarant reserves the right at its option and at any time (either before or after the sale of a unit) to grant additional warranties or to eliminate any limitations on existing warranties with respect to any unit or the common elements. The warranty provided by the Declarant is a limited warranty that it will not be liable thereunder for any of the following:

1. Loss or damage with respect to any claim of defect, unless written notice thereof shall have been given by a representative of the Unit Owners Association or the affected unit owner to the Declarant or its appointed legal representative within the warranty period as specified by the Act.
2. Loss or damage caused by defects or defective design or materials supplied by any Unit owner or installed under his or her direction.
3. Any secondary damage caused by defects including personal injury or injury or damage to personal property.
4. Normal wear and tear or deterioration of any portion of the condominium.

5. Loss or damage resulting from condensation due to failure of any Unit owner or the Unit Owners Association to maintain adequate heating and/or ventilation.
6. Loss or damage occasioned by the negligence, improper maintenance repair or operation or alteration by parties other than the Declarant, its subcontractors or agents, with respect to the structure, system equipment, appliances or fixtures in the Units or the common elements.
7. Accidental loss or damage, including, but not limited to, damage resulting from fire, explosion, smoke, water escape, changes, not reasonably foreseeable, in the level of water in the water table, glass breakage, windstorm, hail or lightning, falling trees, aircraft, motor vehicles, flood, earthquake, civil commotions, insects, soil movement, or any other acts of God.
8. Loss or damage due to the failure of the Unit owner or the Association to keep and maintain the condominium or the Unit, in good condition and repair, including, but not limited to, the changing of air conditions filters, the lubrication of air conditioning and heating equipment, the draining of hot water heaters, the clearing of all exterior patio and balcony drains, and the cleaning of dryer vents, all as necessary.
9. Stoppage in the plumbing system caused by misuse by Unit owners, their tenants or guests.
10. Cracks, popping nails, floor squeaks and other effects of normal settlement, expansion, contraction or warping of materials that occur in walls, floors, ceilings, doors, windows and the like.
11. Defects or smudges in painted surfaces, including cracks or peeling paint, chipping of porcelain in any item of equipment, chipping of tile, granite or marble, excess grouting on tiles, granite or marble, torn or defective screens or broken glass, defects in operating plumbing fittings on the plumbing fixtures; hardware, shades, blinds, awnings, kitchen equipment (including appliances), electrical switches or outlets.
12. Loss or damage to carpet, walls, wall coverings, or light fixtures caused by move-ins, move-outs, or heavy traffic by potential purchasers.
13. Loss or damage caused by air or water infiltration around windows and doors.
14. Noise between units and floors.
15. Defects in floors, including squeaks, cracks or gaps.

16. Defects resulting from the shrinkage or swelling of wood surfaces, including molding and caulking.

There are no other warranties and none should be implied, and except as set forth above, the Units are otherwise being conveyed "AS IS". No action to enforce the statutory warranty in connection with the structural defects to the units may be brought more than five years after the warranty period begins.

D. Compliance with Zoning, Housing and Building Codes

The parcel of land upon which the condominium is located was previously zoned RC/C-2-B. Declarant submitted building permit plans for a matter-of-right building to the Department of Consumer and Regulatory Affairs. The Declarant recently received Board of Zoning Appeals approval for a special exception to increase the permitted height of the building and a variance to provide less residential recreational space than required by the Zoning Regulations. The condominium structure, to the best of Declarant's knowledge, will satisfy all requirements of the housing, building, zoning and other applicable codes in effect as of the time of the issuance of this POS.

E. Construction of the Project

Significant construction work remains to be done in order to finish the residential units in Phase I. The projected date of completion of the construction of Phase I is January 2004. The projected date of completion for the construction of Phase II is March 2004. The projected date of completion of the major amenities of the condominium is March of 2004. Construction of Phase I and Phase II have commenced.

The approximate age, estimated remaining life, and estimated replacement cost of major components of the building which have an estimated remaining useful life that is considered to be less than the estimated remaining useful life of the overall structure, are summarized in the architectural report attached as Exhibit C. Lives listed in that report are estimated average lives.

For each item or category, it is anticipated that individual failures may occur before the life term indicated in the architectural report. No express or implied guarantee shall be inferred from the schedule of the estimated lives and the Declarant does not warrant or represent the years of useful life remaining or that any of the items will have the useful life listed in the architectural report. Replacement costs are based on current prices and do not include extensive removal, demolition or general construction that may be required. In addition, all estimates assume proper repair and routine preventive maintenance.

Declarant will use reasonable efforts to substantially complete or cause to be substantially completed construction of each residential unit in each Phase within eighteen (18) months after the date of acceptance of a purchase agreement by the Declarant for such Phase; provided, however, that if Declarant shall be delayed at any time in the progress of construction by any occurrence of "Force Majeure" as defined in Section 6.2 of the purchaser's purchase agreement, then Declarant's projected completion date shall be extended for a number of days

equal to the period of any such delay; provided, that the Declarant shall be obligated to complete and deliver the unit before the second anniversary of the date of acceptance of the purchase agreement by the Declarant. If, by the second anniversary of the date of acceptance of the purchase agreement by the Declarant, the Declarant has failed to complete construction of a purchaser's unit and settlement thereon has not occurred, then, if a purchaser shall not then be in default, the deposit and any payment for extras, options, upgrades or other similar items not already installed in the unit shall be returned to the purchaser, and the Declarant shall be liable to the purchaser as set forth in the purchase agreement.

Declarant's acceptance of a purchase agreement between the Declarant and a prospective unit purchaser is subject to Declarant entering into a sufficient number of agreements for the sale of units to assure satisfactory condominium operation. This condition shall be satisfied by a determination made by the Declarant, within 180 days after the date Declarant enters into the first condominium unit purchase agreement to sell a condominium unit in the phase of the condominium project in which the a purchaser's unit is located, that Declarant has entered into condominium unit purchase agreements with prospective purchasers for the sale of residential units in the condominium project to which at least 75% of the percentage interests in the common elements of the condominium project are appurtenant. If this condition is not satisfied, then either the Declarant or a purchaser, within thirty (30) days of notification from the Declarant of the failure of this condition, may declare the purchase agreement null and void and Declarant shall release to the purchaser all amounts received on account of the purchaser of the unit, and all parties shall forthwith be released from all obligations under the purchase agreement.

F. Board of Zoning Adjustment Approvals

As indicated above, the Declarant has applied to the BZA, and received approval from the BZA, for a special exception to increase the permitted height of the building. The BZA has also approved a variance to allow the Declarant to provide less residential recreational space than required by the current Zoning Regulations.

A special exception use is a use that is allowed in a particular zone district if it is approved by the BZA after public hearing. The Zoning Regulations set forth generic and specific standards for the BZA to consider in approving or denying special exceptions. The generic standards are that the proposed use will be "in harmony with the general purpose and intent of the Zoning Regulations and Zoning Map and will not tend to affect adversely the use of neighboring property. . ."

The specific criteria are based on the use. At 1700 Kalorama Road, the requested special exception was for building height in excess of that allowed by the Reed-Cooke overlay zone. A height increase from the normal 40-foot limit up to 50 feet is allowed, if "appropriate setbacks from the street" are provided and if low and moderate income housing is included in the project. Two units of affordable housing will be offered.

The requested special exception increased the height limit to 50 feet on a portion of the building. The height increase results in two additional residential units and approximately 1,350 square feet of low-moderate income housing. The variance reduced the residential recreation space requirements from 15% to 6.7%. The BZA application included a request for a variance from a portion of the residential recreation space requirements of 11 DCMR § 773 for apartment houses in commercial or mixed-use zones. Pursuant to § 3103 of the Zoning Regulations, the BZA may grant a variance or deviation from dimensional standards (an “area variance”) where a “unique” or “exceptional” condition(s) of a property create an “exceptional practical difficulty” in using or developing the property under its current zoning. In this case the unique conditions creating the practical difficulty derive from converting an existing commercial building on sloping topography to residential use and related factors.

G. Letter of Credit

Section 42-1904.04(a)(8)(C) of the Act states that Declarant must provide a general statement of the source of financing available and the estimated amount necessary to complete all improvements shown on the condominium plats and plans. The Declarant believes the estimated amount necessary to complete all of the improvements which the Declarant will be obligated to complete for the Condominium is approximately \$ 5,000,000.

Declarant has also been advised in writing by EagleBank of EagleBank’s intention to issue a letter of credit in the amount of approximately \$500,000 or 10% of the estimated construction costs as required by § 42-1903.16(e) of the Act. If issued, this letter of credit would be for the benefit of the District of Columbia to satisfy costs arising from any potential structural defects at the Property.

Section IV. The Declaration and the Bylaws

The condominium’s Declaration, By-Laws and Plats and Plans are the principal legal documents necessary to create the condominium in the District of Columbia and are referred to collectively as the “Condominium Instruments.” When the Declaration is duly recorded among the land records of the Recorder of Deeds of the District of Columbia, the property described therein is submitted to a condominium form of ownership.

The Declaration sets forth with particularity the description of the property, the physical boundaries of the condominium units and the common elements of the condominium, together with descriptions as to which will be limited common elements and which will be general common elements. The Declaration also establishes the percentage of undivided interest in the ownership of the common elements of the condominium and the percentage of interest in the common expenses and common profits of the condominium, which are appurtenant to each particular condominium unit. The Declaration also establishes certain easements with respect to the use of the common elements by the Declarant and others for purposes related to the completion of the construction of the condominium, the sale of units, the maintenance of utility services, ingress, egress and the like. A copy of the Declaration is attached hereto as Exhibit B.

When additional condominium units are added during the addition of a Phase, the percentage of ownership of undivided interest in the condominium interests of each unit decreases and the number of votes a unit purchaser has decreases proportionately as more particularly provided for in Exhibit B.

The By-Laws provide for the method of the administration and management of the condominium. Among other things, the By-Laws make provision for the calling of meetings of the unit owners, the election of a Board of Directors and allocation of rights and responsibilities to the Board of Directors, the method of establishing an annual operating budget and the assessments for common expenses, and the establishment of certain restrictions relating to the use of both the condominium units and the common elements. The By-Laws also establish certain requirements regarding the insurance of the condominium relating to the reconstruction of the condominium in the event of damage, and the like. Both the Declaration and the By-Laws establish certain rights that are to inure to the benefit of mortgagees of individual condominium units in the condominium. A copy of the By-Laws is attached hereto as Exhibit D.

Pursuant to the By-Laws, the Board of Directors is authorized to establish rules and regulations governing the unit owners and the use of the Condominium, in addition to any rules and regulations set forth as part of the By-Laws.

A. Encumbrances

A unit owner's use and enjoyment of his unit is restricted by the Declaration and By-Laws (see "Restrictions on Use" and "Restraints on Alienation" below).

As of the date of this POS the property is encumbered by a first deed of trust securing a loan from Fremont Investment & Loan, a California industrial bank, in the approximate original principal amount of \$12,030,000, and a second deed of trust securing a loan from Bressler Family Investors, L.L.C., a Maryland limited liability company, in the approximate original principal amount of \$2,440,000. At the time of the conveyance of a unit to a purchaser, the Declarant will have such unit promptly released of record from any then existing deeds of trust, all perfected liens, and any mechanic's or materialmen's liens affecting the unit. The unit will be conveyed subject to the liens of the encumbrance of the condominium instruments of record, general real estate taxes for the current year not yet due and payable, and easements, covenants and restrictions of record.

B. Secondary Mortgage Market.

The Condominium Instruments and certain related documents have been drafted with the intention of satisfying the condominium documentation requirements of the Federal Home Loan Mortgage Corporation ("FHLMC"), as well as those of the Federal National Mortgage Association ("FNMA"). The Declarant has reserved the right to amend the instruments and documents if they must be revised to satisfy any such requirements. However, the Declarant makes no representations or warranties concerning the availability of or qualification for secondary mortgage financing.

The Declarant anticipates that any lending institution which provides a commitment to provide financing for qualified unit purchasers may desire to transfer the loan to the FHLMC or to the FNMA, or have it insured through the Federal Housing Administration (“FHA”) of the Veterans Administration (“VA”). Therefore, it will be necessary for the condominium, as well as prospective purchasers seeking loans through any such lending institution, to comply with the FHLMC, FNMA, FHA and/or VA requirements governing condominiums. The Condominium Instruments and other legal documents that pertain to the condominium have been designed to comply with the FHLMC, FNMA, FHA and VA requirements.

C. Restraints on Alienation.

Section 14-1904.02 of the Act prohibits the Declarant from offering or disposing of a condominium unit until the Condominium is registered with the District of Columbia and a purchaser has received a current Public Offering Statement. Except for the provisions of the Act, and the terms of any loan documents which will be executed at the time a unit is purchased, the Declarant is not aware of any other rights of first refusal, pre-emptive rights, or other restraints on free alienability which affect the Purchaser’s right to resell or otherwise transfer an interest in his Condominium Unit; provided, however, that the transfer of a tenant-occupied unit would be subject to the terms of the District of Columbia’s Tenant Opportunity to Purchase Act.

The By-Laws provide that a unit owner may not use his unit for hotel or transient purposes and may not lease his unit for a period of less than six months, and that the Association (or its designee) has the power to terminate any lease or bring summary proceedings to evict a tenant in the event of default by the tenant under the terms of the lease or the violation of the By-laws or rules and regulations of the condominium. These and other restrictions are set forth in the By-Laws.

D. Restrictions on Use

The By-Laws of the condominium provide, in part, that (with certain exceptions relating to use of units by the Declarant during the period necessary for the development of the condominium), all residential units shall be used for private residential purposes, unless a different use is approved by the Association (as hereinafter defined), which use may not be inconsistent with the zoning for the Property. In addition, the Declarant may either convert certain Commercial Units to multiple residential units, or convert certain areas now designated as interior recreational space into a commercial unit or multiple residential units. The By-Laws of the condominium provide that the Commercial Units may be used for any purposes permitted by the applicable zoning, such as general office use, subject to the restrictions set forth in the By-Laws, as discussed below.

The By-Laws provide for certain restrictions regarding the use of both the residential units, the Parking Units, the Commercial Units and the common elements of the condominium. In general, these restrictions relate to activities that may become a nuisance to other unit owners, obstruction of the common elements, alterations to the condominium, the posting of signs and the like. In addition, the By-Laws provide that no Commercial Unit shall be used for (nor shall any Unit Owner of a Commercial Unit permit its Unit to be used by a tenant or any other person

for) any use not allowable under applicable zoning and/or land use law or any of the following uses: (i) any retail use (except that a Unit Owner of a Commercial Unit may devote up to five percent (5%) of its space for sale of products in the ordinary course of and consistent with its permitted use), (ii) any sexually oriented business (including any business in which any portion of the inventory is not available for sale or rental to children under 18 years old because such inventory explicitly deals with or depicts human sexuality), (iii) any use/business referenced in Section 144(c)(6)(B) and 147(e) of the Internal Revenue Code, as currently in effect and hereafter amended from time to time, (iv) a restaurant, night club, coffee shop or other business involving food or beverage service, (v) any use that would involve the use, storage or disposal of hazardous substances (beyond amounts used or stored for typical household cleaning purposes, general office purposes or incident to a permitted use), or (vi) use by a foreign governmental agency or entity. In addition, no Commercial Unit shall be used for (nor shall any Unit Owner of a Commercial Unit permit its Unit to be used by a tenant or any other person for) any uses which would have a material adverse affect on the image of the Property as a first-class mixed use commercial and residential condominium, in the Board's discretion and subject to Board approval, which discretion and approval will not be unreasonably withheld, conditioned or delayed.

In addition, the Unit Owner of Unit 101, which Unit is located on the first floor of the building, shall be permitted to conduct music instruction classes, rehearsals, recitals and other performances in its Unit between the hours of 8:00 am through 11:59 pm daily. Such Unit Owner will, at such Unit Owner's sole cost and expense, install reasonable sound abatement equipment in its Unit, and will use commercially reasonable efforts to utilize other sounds abatement techniques within its Unit so as to minimize disruption to other Unit Owners as a result of its activities.

The Board of Directors or the Association may adopt, in accordance with the By-Laws, rules and regulations restricting or regulating the use of the condominium.

Section V. Operation of the Condominium

A. The Unit Owners Association

The By-Laws provide for the self-government of the condominium by a unit owners' association. All of the unit owners collectively constitute the association (hereinafter the "Association"). Membership in the Association is an incident of ownership of a unit. Therefore, every unit owner is automatically a member of the Association and remains a member until the termination of the unit owner's ownership of a unit.

B. Management

The By-Laws provide that the powers and responsibilities of the Association will be delegated to a Board of Directors, some of which in turn may be delegated to a managing agent. Basically, the Board of Directors has the powers and responsibilities in administering the condominium to: (i) prepare the annual budget; (ii) make and collect assessments against the unit owners for common expenses; (iii) provide for the upkeep, maintenance and care of common

elements; (iv) designate, hire and dismiss the personnel necessary for the maintenance of the condominium; (v) make rules and regulations concerning the use of the condominium; (vi) establish a bank account on behalf of the Association; (vii) make alterations to the condominium; (viii) enforce by legal means the provisions of the condominium instruments; (ix) obtain necessary insurance; (x) pay the cost of services rendered to the condominium; and (xi) keep the books of account of the condominium.

The allocation of voting power among the unit owners is established in the Declaration which provides, essentially, that each unit owner shall have the right to cast votes in the same proportion as that established in the Declaration for undivided percentage interests in ownership of the common elements of the condominium. If and when additional condominium units are added as additional phases are added to the condominium, the undivided percentage interests in ownership of the common elements of the condominium of each unit owner will decrease and the number of votes a unit owner has will decrease proportionately, as more particularly provided in the attached Declaration and Bylaws.

The By-Laws provide that no less than three but no more than five members of the Board of Directors shall be selected by the Declarant. Thereafter, and for a period of (i) two years from the date of settlement of the first unit in the condominium to be sold, or (ii) until the condominium units to which seventy-five percent of the undivided interest in the common elements of the condominium are appurtenant have been conveyed by the Declarant, or (iii) the date specified by the Declarant in a notice to the Association, whichever shall first occur (the "Declarant Control Period"), the Declarant shall have the right to appoint and to remove all of the members of the Board of Directors, without a vote of the unit owners. However, the By-Laws and Condominium Act require that: (1) at the time units to which twenty-five percent of the percentage interests in the Condominium have been conveyed, the Association shall hold a special meeting at which time not less than twenty-five percent of the members of the Board of Directors shall be elected by unit owners other than the Declarant; (2) at the time units to which fifty percent of the percentage interests in the Condominium have been conveyed, the Association shall hold a special meeting at which time not less than one third of the members of the Board of Directors shall be elected by unit owners other the Declarant, and (3) not later than the termination of the Declarant Control Period, the Association shall hold a special meeting at which more than fifty percent of the Directors shall be elected by the unit owners, including the Declarant, if the Declarant owns any units.

The By-Laws provide that the Association may employ a Management Agent at a rate of compensation established by the Association. The Declarant may enter into a management agreement with New Washington Land Company, a District of Columbia corporation. A copy of such agreement is attached as Exhibit E to this POS. The management agreement provides that the managing agent has the authority, subject to certain limitations, to enter into contracts necessary for the effective and safe operation of the condominium.

C. Financial Matters.

Attached as Exhibit F is the projected first year's operating budget for the condominium, showing anticipated income and expenses during the first year of operation. The budget presents

only estimated costs of operating the condominium. The actual costs, of course, cannot be determined at this time. For example, increases in costs of materials, labor and utilities or inflationary pressures could result in substantial increases in the estimated condominium expenses. Services, in addition to those provided for initially, may be deemed desirable by the Unit Owners and could result in additional expenses. Each purchaser should be aware that, in many circumstances, there may be a need for higher assessments.

The budget for the fraction of the year during which the condominium begins operating will be a pro rata figure based on the annualized projected costs. The formula used to determine the amount of each unit's condominium fee is to multiply the unit's Common Element Interest from Exhibit E to the Declaration by all applicable projected condominium expenses.

Based on the formula, the fees to be assessed to each unit are currently estimated to be as stated in the chart in Exhibit K. The Declarant does not anticipate collecting more than the first full month's condominium fee for a unit at the closing on the Unit.

Each unit owner will be required to pay his own real estate taxes. There is no way of determining what those taxes will be, but the unit owner should be aware that the District of Columbia considers recent transactions in determining the appropriate assessment value. The unit owner should be aware of Article 10 of the Declaration relative to the payment of condominium fees:

A unit owner shall be personally liable for all lawful assessments, or installments thereof, levied against his unit which become due while he is the owner of a unit; and this liability of the unit owner is in addition to the Association's statutory lien on the unit for such assessments.

At settlement, each purchaser will be required to pay to the Association two months' condominium fee that shall be held and treated as operating capital.

Following the sale by the Declarant of the first unit, the Declarant will pay to the Association the condominium fees that accrue during its period of ownership of the remaining units, if any.

The Bylaws provide that if extraordinary expenses occur, the Association may make a special assessment, which will be applied against the unit owners in the same proportion as their percentage interest in the common elements and limited common elements. The Bylaws also provide that the Association may adjust the budget up or down during the year, if circumstances so justify. The Association will determine all assessments and written notice shall be provided each unit owner. The Treasurer or his designee, who shall also pay routine bills, will collect monthly assessments.

The budget attached as Exhibit F includes a provision for a general replacement reserve based on evaluation of the useful lives and replacement costs of certain common elements which the engineer (who prepared Exhibit C) believes will require replacement or maintenance on a

periodic basis. Please note that the annual reserve included in the proposed budget is only an estimate, and in the event such reserve proves to be inadequate, a special assessment or assessments levied against each Unit and Unit Owner may be required.

It is anticipated that certain of the first year expenses for the Condominium such as insurance may require prepayment. In such a case, it is the intent of the Declarant to pay these expenses and to reimburse itself, or be reimbursed by the Unit Owners Association, as condominium assessments are collected during the first year.

The following is a list of common elements (and parts of the units) for which, based on the engineering report, reserves should be set aside annually for their replacement:

REPLACEMENT RESERVES

Primary Building Elements List

<u>Description</u>	<u>2003 Replacement Cost</u>	<u>Estimated Life</u>	<u>Annual Escrow</u>
**Roofing/Waterproofing including Public Roof Terrace Flooring	\$150,000	20 Years	\$7,500
*Rooftop Mechanical Unit (RTU-1)	32,400	20	1,620

Mechanical/Plumbing Equipment:

* Soil, Waste and Vent System	25,000	40	625
** Sprinkler System	170,000	30	5,667
** Fire Pump	23,900	20	1,195
**Jockey Pump	1,650	20	83
* Gas-fired Water Heaters (2)	13,300	20	665
*Pod Plenum Heat Supply	3,460	20	173
*Common Area Diffusers (43)	5,480	20	274
*Residential Elevator including Machine	79,550	40	1,989
*Elevator Cab Finishes	12,800	20	640
*Elevator Machine Room A/C	800	20	40

Electrical Equipment:

** Mainline Switchboard	7,000	20	350
*Common Area Panels	6,210	20	311

Building Exterior:

*Garage Surfacing and Striping	1,000	10	100
*Garage Lighting	2,025	15	135
*Roll-up Door	4,500	10	450

<u>Description</u>	<u>2002 Replacement</u>	<u>Estimated</u>	<u>Annual</u>
---------------------------	--------------------------------	-------------------------	----------------------

	<u>Cost</u>	<u>Life</u>	<u>Escrow</u>
<u>Residential Common Areas:</u>			
*Lobby Patterned Concrete	450	15	30
*Concierge Desk, Planters in Lobby	5,000	20	250
*Lobby and Corridor Painting	7,290	5	1,458
*Lighting Fixtures	27,000	15	1,800
*Corridor Carpet	26,950	5	5,390
*Mailboxes	2,000	15	133
*Storage Bins	8,000	10	800
*Trash Chute	7,000	15	467

Total Annual Contribution (Residential Only):			\$17,350
Total Annual Contribution (Residential and Commercial):			\$14,795
Total Annual Contribution:			\$32,145

*Item applies to **residential** assessment only.

Item applies to both **residential and commercial assessments.

Section VI. Unit Purchase

A. Financing.

The Declarant may obtain a financing commitment for mortgages for the residential units. If a purchaser obtains financing, if any, with one of the Declarant's designated lenders, then Declarant will pay the loan origination fee charged by the lender at the time of settlement. Other loan closing, placement or application costs, including but not limited to, points, inspection fees, recording charges, document preparation fees, underwriting charges, delivery and messenger charges, application fees, credit report charges, title insurance costs and the like, will be paid by the purchaser. If the purchaser chooses to obtain financing from a lender other than one of the Declarant's designated lenders, then the Declarant will not be obligated to pay the purchaser's loan origination fee, and that fee, together with any and all other fees enumerated above, will be paid by the purchaser.

If the purchaser elects to finance the purchase of a unit, the purchase agreement will be contingent on purchaser's first obtaining a letter from the lender stating that the purchaser is approved or will be approved for financing, provided the purchaser makes application for financing by a lender within fifteen (15) days after the acceptance of the purchase agreement by the Declarant.

Each purchaser may obtain alternative financing for which the purchaser is qualified, provided there is no additional expense to Declarant and the settlement date is not delayed.

Each purchase agreement will be contingent for a specified period following the date of acceptance of the purchase agreement by the Declarant (the "Financing Deadline") upon purchaser delivering to the Declarant a letter from the lender stating that the purchaser is approved or will be approved for financing ("Lender's Letter"). Delivery of the Lender's Letter to the Declarant by the purchaser, lender, or purchaser's agent, shall be conclusive evidence that the purchaser is satisfied that the letter states that the purchaser is approved or will be approved for financing. Upon the Declarant's receipt of the Lender's Letter, the purchase agreement shall no longer be contingent on the purchaser being approved for financing. If the purchaser does not deliver the Lender's Letter to the Declarant by the Financing Deadline, the purchase agreement will be terminated and the purchaser's deposit on the purchaser's unit will be returned to the purchaser.

A purchaser will be in default if settlement does not occur because the purchaser: (1) fails to lock-in the interest rate as specified above and the rate increases so that the purchaser no longer qualified for such financing; (ii) fails to diligently pursue the obtaining of financing or alternative financing; (iii) fails to comply with the lender's requirements in a timely manner; (iv) at the time of settlement does not have the funds to settle as required by the purchase agreement; (v) does any act following the ratification date of the purchase agreement that prevented the purchaser from obtaining the financing; or (vi) makes any misrepresentations, material omissions or inaccuracies in financial information provided to the Declarant or any lender that results in purchaser's inability to secure the financing in time for settlement.

A purchaser's failure to apply for the financing of the unit as described above within seven (7) days from the date of expiration of the purchaser's right to cancel as set

forth in the purchase agreement, as further described below in subsections B and C, shall be deemed a breach of the purchase agreement and, at the option of the Declarant, the purchaser shall forfeit any amount paid under the purchase agreement. Such amount may be retained by the Declarant as liquidated damages. If a purchaser has timely and diligently made the application for a loan within the aforementioned seven (7) day period, timely obtained a satisfactory Lender's Letter, and diligently sought to obtain the loan, and a commitment for such loan is not obtained within a fifteen (15) day period after expiration of purchaser's right to cancel and has otherwise complied with the conditions of the purchase agreement, then the Declarant or purchaser may declare the purchase agreement terminated, at which time the purchaser's deposit on the purchase of the unit shall be returned. In the event a purchaser, during the initial forty-five day period fails to diligently pursue obtaining financing, withholds information or supplies false information to a prospective lender, or fails to complete settlement on the unit after receiving a commitment for a loan, the purchaser shall forfeit the purchaser's deposit on the unit.

B. Purchase Agreement - Cancellation Rights of Purchasers.

A copy of the purchase agreement proposed to be used by the Declarant in connection with the sale of condominium units in the Project is attached as Exhibit H to this POS. The purchase agreement sets forth in detail the terms and conditions of the sale of individual condominium units.

For a period of fifteen days following the date of the delivery of the last of the documents and other materials required to be delivered to prospective purchasers of condominium units in the Project pursuant to the provisions of the Condominium Act (which include, without limitation, a counterpart of this POS), or the signing of a binding purchase agreement, whichever is later, any purchaser of a condominium unit in the Project shall have the unqualified and unconditional right to rescind, terminate and cancel his purchase agreement by notice in writing to the Declarant, in which event such purchaser shall become entitled to the prompt return of any deposit made by the purchaser on account of the purchase agreement and all rights and liabilities of the parties under the purchase agreement shall forthwith terminate.

C. Purchaser's Right to Cancel (Spanish Equivalent).

El vendedor permitira al comprador un periodo de 15 dias para revisar los documentos referente a las leyes y regulaciones en el Distrito de Columbia. No obstante cualquier otra provision de este acuerdo, el comprador, podra a su eleccion, responder al vendedor por medio de una carta registrada (o entregarlo personalmente a la oficina del vendedor durante las horas del trabajo) en cualquier momento antes de la medianoche decimoquinto dia que sique la fecha senalada en el contrato firmado por el comprador, o, que el comprador haya recibido un Anuncio de Oferta Publica corriente, lo que suceda ultimament, podra terminar el acuerdo, y el comprador recibira su deposito y no Habra ninguna obligacion entre las personas dentro de esta acuqerdo.

D. Options

The purchaser may purchase options to be added to the unit he or she intends to buy. A list of the available options will be attached to an Addendum provided to the purchaser. Section 14 of the purchase agreement governs the terms upon which the purchaser may forfeit funds posted in advance of settlement to pay for such options.

E. Purchase of Parking Units

The Declarant, at its option and in its sole discretion, may either sell a purchaser of a residential unit a Parking Unit or Parking Units or lease an individual Parking Unit or Parking Units to such a purchaser for a period of one year with an option for the purchaser to buy such Parking Unit or Parking Units for either an amount specified in the purchase agreement or for an amount determined on some other basis determined when the purchaser leases the Parking Unit. If the purchaser does not in a timely fashion exercise the option to buy a Parking Unit, the Declarant may offer such Parking Unit first to the other owners of residential units. If no owner of a residential unit accepts such offer, the Parking Unit will be offered to the owners of Commercial Units. If no owner of a Commercial Unit accepts this offer, such Parking Unit may be offered by the Declarant to the general public.

F. Storage Spaces

The Declarant may “sell” storage spaces designated as such on the condominium plans separately from Units. The Declarant does not, however, currently contemplate selling any storage spaces separately in Phase I of the Condominium.

Section VII. Risk Factors

This Section VI describes the following additional risk factors which a prospective purchaser should take into account in making his/her decision to purchase a unit:

A. Over Development.

The Kalorama neighborhood in Washington, DC is currently seeing widespread residential and commercial development by different real estate developers, including significant development of residential condominium units. The competition among these developers could ultimately result in an over-supply of condominium and cooperative units, resulting in a fall in market values of individual units.

B. Short Term Resale Difficulties

While this condominium is under development, a unit purchaser who wishes to sell his or her unit will find his or herself in direct competition with the Declarant, making a sale of the unit purchaser’s unit substantially more difficult until substantially all of the contemplated units have been constructed and sold to purchasers by the Declarant.

C. No Assurance of Completion of Construction of a Unit

There can be no assurance that any unit or any phase of construction of residential units will be completed. Declarant may be unable to complete construction for any number or reasons, including lack of financial capacity or default by a contractor.

D. Effect of Roof

The roof of the building originally was immediately above the second floor. However, the Declarant may add up to four more levels, with the result that the roof may ultimately be above the fourth, fifth or sixth floor, as applicable. Therefore, a purchaser of a unit may find the roof ultimately located on a different level than when the purchaser first contracted for or purchased his or her unit.

E. General Economic Factors

Although currently interest rates on mortgages which may be used to purchase units are low and, perhaps, trending lower, there is no assurance that interest rates will not trend higher in the near future. Although residential real estate market values have recently been trending higher in the Washington Metropolitan Area, there is no assurance that this trend will continue.

F. Environmental Factors

Although the Declarant believes that the building is free from significant environmental hazards and risks, the Declarant makes no representations to prospective purchasers and provides not indemnifications to prospective purchasers on this issue. Each purchaser should do its own due diligence as to the environmental condition of the land and improvements. Upon request, an interested purchaser will be provided with a Phase I environmental assessment prepared by National Assessment Corporation dated September 12, 2002.

G. Factors Relating to Commercial Units

In Phase I, there will be two (2) Commercial Units and ten (10) residential units, plus Parking Units. As currently configured, in Phase I the Commercial Units will control 42.84% of the Common Element Interests and thus, will have a 42.84% voting interest in the Unit Owners Association. If the Owners of Commercial Units voted at a meeting of the Unit Owners Association at which a quorum was present, and provided both of such Owners voted in a like fashion, such Owners could have a Majority Vote and could adopt decisions at a meeting which would bind all Unit Owners (except to the extent the Condominium Act or the condominium instruments required a decision of the Unit Owners to be made by greater than a Majority Vote).

In addition, of the Commercial Units included in Phase I (as currently configured), Unit 101 will control 34.76% of the Common Element Interests and Unit 102 will control 8.07% of the Common Element Interests, and thus, the Unit Owners of Unit 101 and Unit 102 will be required to pay a significant proportion of the assessments and dues required to be paid by Unit Owners in the condominium. If the business of the Unit Owners of Unit 101 and/or Unit 102 fails, or if the Unit Owners of Unit 101 and/or Unit 102 becomes insolvent or is otherwise unable

to pay its share of assessments and dues as they become due and payable, this could result in the condominium experiencing financial difficulties and in turn, being unable to meet its financial obligations, or could result in the condominium having to defer maintenance and repairs for the Property while exercising its rights against such Unit Owner(s) for failure to pay assessments and dues which were then due and payable.

1700 Kalorama Lofts, a Condominium

Exhibits to Amended Public Offering Statement (Phase I)

The following documents are Exhibits to the Amended Public Offering Statement (Phase I)

- A Condominium Plat and Plans
- B Condominium Declaration
- C Architect's or Engineer's Report
- D Condominium By-Laws
- E Management Agreement
- F Annual Operating Budget
- G Unit Financing Information
- H Purchase Agreement
- I Deed
- J Estimate of Settlement Charges
- K Condominium Fees
- L Condominium Guaranty Agreement Against Structural Defects

EXHIBIT A

Condominium Plat and Plans

EXHIBIT B

Condominium Declaration

EXHIBIT C

Architect's or Engineer's Report

EXHIBIT D

Condominium By-Laws

EXHIBIT E

Management Agreement

EXHIBIT F

Annual Operating Budget

EXHIBIT G

Unit Financing Information

Unit Financing Information

Although there is currently no loan commitment for permanent loans for prospective purchasers, it is anticipated that the Declarant will obtain a commitment from a recognized financial institution on then prevailing market terms. If a prospective purchaser obtains financing for the acquisition of a Unit from the lender designated by Declarant and closes on the acquisition of the Unit with the lender designated by Declarant, then the Purchaser shall receive a credit at settlement equal to 1% of the loan amount.

EXHIBIT H

Purchase Agreement

EXHIBIT I

DEED

EXHIBIT J

Estimate of Settlement Charges

Estimate of Settlement Charges*

\$6,000	1.5 % transfer tax
\$100	Settlement Fee
\$75	Title Search
\$2,190	Title Insurance
\$40	Courier/Handling Fee
\$88	Recording Fees
	Total : \$8,493

* Calculated assuming a \$400,000 sales price

EXHIBIT K

Condominium Fees Phase I and II

Condominium Fees Phase I and II

UNIT #	FEE	
First Floor - Commercial		
101	\$ 1,020.00	
102	<u>237.00</u>	\$ 1,257.00
Second Floor - Residential		
201	\$ 216.00	
202	262.00	
203	205.00	
204	281.00	
205	202.00	
206	192.00	
207	196.00	
208	147.00	
209	147.00	
210	<u>152.00</u>	2,000.00
Third Floor - Residential		
301	\$ 216.00	
302	261.00	
303	205.00	
304	281.00	
305	202.00	
306	192.00	
307	196.00	
308	265.00	
309	270.00	
310	265.00	
311	246.00	
312	<u>247.00</u>	2,846.00

Second Floor - Parking

P201	\$	50.00	
P202		50.00	
P203		32.00	
P204		32.00	
P205		32.00	
P206		24.00	
P207		24.00	
P208		24.00	
P209		24.00	
P210		27.00	
P211		24.00	
P212		40.00	
P213		45.00	
P214		45.00	
P215		45.00	
P216		41.00	
P217		41.00	
P218		41.00	\$ 641.00

Total Monthly Fee - Parking Units \$ 1,321.00

Grand Total Monthly Fees for All Units \$ 11,187.00

Total Yearly Condo Fee \$ 134,244.00

Note: These totals are subject to change when additional units are added

EXHIBIT L

CONDOMINIUM GUARANTY AGREEMENT
AGAINST STRUCTURAL DEFECTS

1700 KALORAMA LOFTS, A CONDOMINIUM

CONDOMINIUM GUARANTY AGREEMENT
AGAINST STRUCTURAL DEFECTS

THIS AGREEMENT is made this _____ day of _____, _____ by and between 1700 KALORAMA CONDOMINIUM, LLC, a District of Columbia limited liability company (the “Declarant”) and THE UNIT OWNERS ASSOCIATION OF 1700 KALORAMA LOFTS, A CONDOMINIUM (the “Association), and _____ (the “Depository”).

RECITALS

The Declarant has submitted the property located at 1700 Kalorama Road, N.W., Washington, D.C. (the “Property”) to a condominium regime under the provisions of Section 42-1901.01 et seq., of the District of Columbia Code, as amended (the District of Columbia Condominium Act of 1976, as amended) (the “Act”). The name of the condominium is 1700 Kalorama Lofts, a Condominium.

Section 1903.16(b) of the Act provides that the Declarant shall warrant against structural defects, each of the condominium units for two years from the date of conveyance and all of the common elements for two years. A copy of the warranty provided by Declarant pursuant to Section 1903.16(b) of the Act (the “Warranty”) is attached to this Agreement as Exhibit A.

Section 1903.16 of the Act provides that the Declarant shall post with the Mayor of the District of Columbia (the “Mayor”) a bond or such other security as the Mayor may require to assure compliance with Section 1903.16 of the Act.

NOW THEREFORE, for the purpose of assuring compliance with Section 1903.16 of the Act, and in consideration of the amount of One Dollar paid by the Declarant to the Depository, the parties hereto agree as follows:

1. The Declarant hereby deposits with the Depository, which acknowledges the receipt thereof, an irrevocable letter of credit (“Letter of Credit”) in the amount of \$ _____ (identified as Irrevocable Letter of Credit No. _____) issued by _____ at the request of the Declarant, and designating the Mayor and the Association as joint beneficiaries.
2. Upon receipt of joint written instructions from the Association and the Mayor or his designee, the Declarant authorizes the Depository to release the Letter of Credit to the Mayor for purposes of meeting the requirements of Section 1903.16 of the Act and the terms of the Declarant’s Warranty.

3. If the Letter of Credit has not been released to the Mayor pursuant to paragraph 2 within the Warranty period (as set forth in the Warranty), then the Depository shall release the Letter of Credit to the Declarant upon expiration of the Warranty period.

4. It is the intention of the parties to this Agreement that the Depository shall act solely at all times on the joint instructions of the Association and the Mayor with respect to the Letter of Credit deposited with it by the Declarant, and for so acting the Declarant hereby expressly releases and relieves the Depository of any and all liability or claims of any nature. The Declarant agrees to pay all costs and expenses incurred by the Depository by reason of acting as Depository of the Letter of Credit.

5. The Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties. The word "Mayor" or the word "designee" shall be deemed to include his successor or successors.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have hereunto caused these presents to be executed on their behalf the day and year first above written.

DECLARANT

1700 KALORAMA CONDOMINIUM, LLC,
a District of Columbia limited liability
company

By: _____ (SEAL)

Name:

Title:

UNIT OWNERS ASSOCIATION OF
1700 KALORAMA LOFTS, A
CONDOMINIUM

By: _____

(Depository)

By: _____