

- ENV REPORTS
- BOND POLS
- ENV

September 15, 2004

[REDACTED]  
Executive Vice President  
Chief Investment Officer  
[REDACTED]  
[REDACTED]  
[REDACTED]

Re: Grosvenor House  
[REDACTED]

Dear [REDACTED]

Fountain [REDACTED] ("Purchaser") is pleased to present this letter of intent to [REDACTED] ("Seller") to acquire [REDACTED]'s project known as "Grosvenor House" (the "Property"). Fountain [REDACTED] brings an impressive blend of resources we believe uniquely position us to be successful in the acquisition of the Property. An outline of the terms of the acquisition is set forth below.

SUMMARY OF TERMS

**Property:** Land located at [REDACTED] Grosvenor Place, [REDACTED] on which Seller owns a 405-unit luxury high rise apartment project.

**Intended Use:** Marketing and sale of individual condominium units.

**Purchase Price:** Ninety Five Million and No/100 Dollars (\$95,000,000.00) payable in full at Property Closing. DJP |

**Letter of Intent:** At the acceptance of this Letter of Intent, Purchaser and Seller shall immediately enter into good-faith negotiations for a mutually acceptable Purchase and Sale Agreement ("Purchase and Sale Agreement").

**Purchase and Sale Agreement:** Purchaser's counsel shall provide a proposed form of Purchase and Sale Agreement to Seller no later than five (5) business days following execution of this Letter of Intent. Purchaser and Seller shall then endeavor in good-faith to enter into and execute the Purchase and Sale Agreement no later than twenty (20) days thereafter. If a Purchase and Sale Agreement is not timely executed and delivered in accordance with the foregoing, then either Purchaser or Seller may deliver written notice to the other ceasing negotiations, and this Letter of Intent shall thereupon be terminated. Upon successful negotiation and execution of the Purchase and Sale Agreement by Purchaser and Seller, Purchaser shall post with First American Title Insurance Company (Washington, DC National and Commercial Services Office) a deposit of Five Hundred Thousand and No/100 Dollars (\$500,000.00). THE \$500,000 WILL BE NON-

REFUNDABLE TO THE PURCHASER. THE ONLY CIRCUMSTANCES THAT WOULD CAUSE A REFUND OF THE \$500,000 TO THE PURCHASER ARE TITLE MATTERS THAT CANNOT BE RESOLVED OR ENVIRONMENTAL MATTERS THAT CANNOT BE RESOLVED. DJP |

**Investigation of the Property:** Upon (a) the full execution and delivery of this Letter of Intent, Purchaser shall be entitled to investigate the Property. In connection therewith, Seller shall promptly deliver to Purchaser or make immediately available to Purchaser at the Property (as applicable) the due diligence materials listed on Exhibit A ("Due Diligence Materials"). Purchaser shall not conduct any invasive testing without the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed. Purchaser agrees to provide Seller with the names of all third parties Purchaser has engaged for investigation of the Property. Purchaser's right to investigate the Property in accordance herewith shall continue after execution of the Purchase and Sale Agreement by Purchaser and Seller (the "Investigation Periods") as follows: Environmental Assessment, 30 days; Engineering Studies, 30 days; Preliminary Title Review, 20 days; Permit, Licensing; 3<sup>rd</sup> Party Contract Review, 20 days; Existing Bond Financing Review and Preliminary Assumption Proposal, 45 days, as may be extended by mutual agreement. During the Investigation Period, Purchaser shall have the right to terminate the Purchase and Sale Agreement by written notice to Seller for any reason associated with the above described due diligence within the period specified. In the event that Purchaser shall not agree to purchase the Property, as described above then: (i) Purchaser shall promptly send to Seller all copies of all Due Diligence Materials provided by Seller to Purchaser (and by Purchaser to other parties as permitted hereunder) in connection with Purchaser's investigations, together with all copies of any reports, compilations or other materials generated from such materials or information provided by Seller, (ii) Purchaser shall, subject to vendor confidentiality requirements, deliver to Seller for Seller's reference copies of all other studies, tests, surveys, reports and other documents, compilations and drawings obtained by Purchaser from third-party vendors in connection with its investigations and (iii) upon Seller's receipt of the foregoing, Purchaser shall be relieved of any and all liability to Seller. If Purchaser does not terminate the Purchase and Sale Agreement prior to end of the Investigation Period and places the Deposit with Escrow Agent, then Purchaser's right to investigate the Property in accordance with this Section VII shall continue until the Closing Date.

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WITH THE EXCEPTION OF THE \$500,000 ESCROW MONEY DEPOSIT.

**Municipal Rights of First Opportunity:** Seller acknowledges that [REDACTED] County and the Housing and Opportunities Commission of [REDACTED] County ("HOC"), each have a Right of First Opportunity to purchase the Property for a period of sixty days following execution of the Purchase and Sale Agreement on terms consistent with the Purchase and Sale Agreement. Seller will provide [REDACTED] County and the HOC with all required documentation to provide for their rights hereunder, in a timely manner.

**Contract Deposit:** Purchaser will post an additional deposit of Five Hundred Thousand and no/100 Dollars (\$500,000) at the completion of all due diligence described hereunder. The total deposit of One Million and no/100 Dollars (\$1,000,000) and interest thereon will be applied to the purchase price at the Closing.

**Closing:** Purchaser will close thirty (30) days following the completion of the investigation of the property.

**Access to Property:** While this Letter of Intent and the Purchase and Sale Agreement are in effect, Purchaser shall have full access to the Property to conduct inspections. Purchaser shall also be entitled to meet with other professionals responsible for the operation, maintenance, development and construction of the Property.

**Condominium Regime:** Seller will provide Purchaser with Condominium Documentation (Exhibit A (k)) within ten (10) days after execution of the Purchase and Sale Agreement in order to enable Purchaser to market condominium units within six months following the execution of the Purchase and Sale Agreement.

**Property Closing Costs:** Seller will be responsible for the state grantor's tax, release fees, its own legal fees and preparation of the deed. Purchaser will be responsible for title insurance, surveys, condominium plats and plans, its own legal fees, and all other closing and escrow fees. Real estate taxes, utilities and similar items shall be apportioned as of Closing. All other recordation and transfer taxes shall be split equally between Seller and Purchaser.

**Warranties:** Seller will assign to Purchaser all Seller's warranties relating to the Property and the fixtures, appliances and equipment installed therein.

**Exclusive Negotiations:**

Seller agrees that so long as Purchaser and Seller are negotiating a Purchase and Sale Agreement consistent with this Letter of Intent and so long as the Purchase and Sale Agreement is in full force and effect, Seller (a) will not offer the Property for sale to anyone other than Purchaser, (b) will cease any current negotiations for the sale of the Property other than to Purchaser, and (c) will not enter into any new negotiations with any third parties for the sale of the Property. This paragraph constitutes the binding obligation of Seller until Purchaser and Seller cease negotiating a Purchase and Sale Agreement with each other consistent with this Letter of Intent or the Purchase and Sale Agreement is terminated.

**Brokers:** The Purchase and Sale Agreement will provide that Fountain ██████████ and Seller represent and warrant to the other that it has employed no brokers or finders in respect of this transaction, except Allan ██████████ Real Estate and its agent Richard M. ██████████ (the "Broker"). The Seller shall be responsible for compensating Broker pursuant to a separate agreement, Purchaser understanding that the agreed compensation to Broker is One Percent (1.0%) of the Purchase Price payable from proceeds of sale at Closing. Buyer and Seller each indemnify the other from any liability, loss, cost or expense (including reasonable attorneys' fees and costs of enforcing the foregoing indemnity) arising out of the falsity of the foregoing representations and warranties. The foregoing indemnity shall survive the expiration or termination of this Letter of Intent.

It is understood and agreed that the purpose of this Letter of Intent is to set forth the present mutual intent of Purchaser and Seller to negotiate and enter into a contract for the purchase and sale of the Property. Neither Purchaser nor Seller shall be legally bound to purchase or sell the Property pursuant to the terms hereof or otherwise unless and until a Purchase and Sale Agreement has been executed and delivered by both parties, in form and substance and containing such additional terms determined by the parties to be appropriate and satisfactory.

IN AMPLIFICATION AND NOT IN LIMITATION, THIS LETTER OF INTENT IS NOT A CONTRACT FOR THE SALE OF THE PROPERTY. THE PURPOSE OF THIS DOCUMENT IS TO MEMORIALIZE CERTAIN BUSINESS POINTS. PURCHASER AND SELLER MUTUALLY ACKNOWLEDGE THAT THIS LETTER OF INTENT IS QUALIFIED AND THAT THEY, THEREFORE, CONTEMPLATE THE DRAFTING, NEGOTIATION AND EXECUTION OF A MORE DETAILED PURCHASE AND SALE AGREEMENT AND

INTEND TO BE BOUND ONLY BY SUCH PURCHASE AND SALE AGREEMENT AND NOT BY THIS LETTER OF INTENT. NOTWITHSTANDING THE FOREGOING, PURCHASER AND SELLER ACKNOWLEDGE AND AGREE THAT THE PROVISIONS OF THE PARAGRAPHS HAVING THE HEADINGS OF "EXCLUSIVE NEGOTIATIONS" AND "NATURE OF LETTER OF INTENT" WILL BE BINDING AND ENFORCEABLE AGAINST PURCHASER AND SELLER REGARDLESS OF WHETHER THE PARTIES EXECUTE AND DELIVER A PURCHASE AND SALE AGREEMENT.

Purchaser's Initials: DBP Seller's Initials: \_\_\_\_\_

Very truly yours,

FOUNTAIN [REDACTED]  
a [REDACTED] limited liability company

By: DBP [Signature]  
Name: Daniel B. [REDACTED]  
Title: Partner

Date: September 15, 2004

The foregoing terms are hereby agreed to, accepted and approved by Seller this \_\_\_ day of September, 2004.

SELLER:  
[REDACTED], General Partner

By: [Signature]  
Name: [REDACTED]  
Title: Chief Investment Officer