

**RESALE CERTIFICATE**

Date: February 7, 2018

To: Abra Edwards

From: Downtown I and II Condominium

Re: 1308 12<sup>th</sup> Street, NW, Unit C

Pursuant to Section 42-1904.11 of the District of Columbia Condominium Act, as Amended. The Association hereby states as follows:

1. A. The status of assessments with respect to the above referenced Condominium Unit is as follows:

Current Assessment Due.....	\$ 176.37
Reserve Assessment.....	\$ 114.81
Special Assessment.....	\$ 0.00
Parking .....	\$ 0.00
<b>TOTAL DUE</b>	<b>\$ 291.18</b>

Assessments, fees and charges for the current  
Fiscal year not yet due, however, is to be paid  
On the first day of each month in the monthly  
Increment of .....  
\$291.18

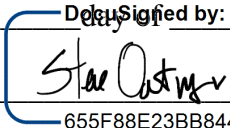
The Association levies annual assessments, payable in equal monthly installments, to pay common expenses. Special assessments may also be levied for the same purpose.

1. The Condominium Instruments do not create any rights of first refusal or other restraints on free alienability of any Condominium Units , unless otherwise stated below:
2. There is a balance in reserves for capital expenditures, contingencies and improvements of approximately \$271,802.54. Of that balance, the amounts shown below, if any, have been designated by the Board of Directors for the following specific projects: None at this time.
3. Enclosed is a copy of the most recently completed audited financial statements for 2016 and current operating budget of the Association for the year 2017. The Board is in the process of preparing the 2018 budget. Upon completion, it will be sent to all owners of record.
4. There are no judgements against the Association nor any pending suits (excluding collection cases against unit owners) in which the Association is a party except as follows:

5. The Association holds hazard, property damage and liability insurance policies covering the common elements and the units as required by the Bylaws and the Condominium Act. It is recommended that each unit owner obtain insurance covering property damage to betterment and improvements installed in the unit and personal property contained therein (not covered by the Association policy) as well as insurance covering personal liability. You are urged to consult with your insurance agent as to the insurance you should obtain. The name and telephone number of the insurance agent for the Association is Associated Insurance at 301.812.1200. A Certificate of Insurance can be obtained from the agent.
6. The Association has no knowledge of whether improvements or alterations made to the Condominium unit or the limited common elements thereto are in violation of the Condominium Instruments except as follows:
7. There is no leasehold estate affecting the Condominium.
8. Enclosed is a copy of the Declaration, Bylaws, and Rules and Regulations of the Condominium, including all amendments. The Association is currently in the process of reviewing and amending the bylaws. The final documents will be provided to all owners of record at the time of approval.
9. All owners are reminded of changes that went into effect with revisions to the DC Condominium Act. A unit owner shall be held liable to the full extent permissible under applicable DC law or regulation, including the DC Condominium Act, for any damage or destruction of a portion of the condominium originating from such unit owner's unit. Please be sure that you notify your personal homeowners insurance of this provision.
10. The Association has a rental cap of 40%. At no time can more than 40% of the units be rented. Please be sure to contact this office prior to attempting to rent your unit.
11. There is a \$100 new account setup fee paid to the property management company.

The information contained in this Certificate, issued pursuant to Section 42-1904.11 of the Condominium Act, as amended, is based on the best knowledge and belief of the Association and is current as of the date hereof.

The Association may charge a fee for the preparation of this Certificate as Allowed by law.

Dated this 2/8/2018, 2018  
By:   
Officer 655F88E23BB8445...

CONTACT THE MANAGEMENT COMPANY IMMEDIATELY PRIOR TO SETTLEMENT TO ENSURE THAT ALL INFORMATION IS CURRENT.

AFTER SETTLEMENT, PLEASE SEND A COPY OF THE SETTLEMENT SHEET TO THE FOLLOWING ADDRESS SO THAT THE ASSOCIATION MAY UPDATE ITS RECORDS.

# FINANCIALS

# Downtown I & II Condominium

Page: 1

Balance Sheet  
As of 01/31/18

## ASSETS

1001	Cash Operating	\$ 79,132.08
1141	SunTrust - Money Market	192,670.46
TOTAL CASH		\$ 271,802.54

## CURRENT ASSETS

TOTAL CURRENT ASSETS	\$ .00
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TOTAL ASSETS	\$ 271,802.54
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## LIABILITIES & EQUITY

### CURRENT LIABILITIES:

Subtotal Current Liab.	\$ .00
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### RESERVES:

3311	Replacement Reserve	\$ 255,937.45
3339	Allowance for non-payment	3,000.00
Subtotal Reserves		\$ 258,937.45

### EQUITY:

3452	Retained Earnings/Unappr.	\$ 15,220.65
	Current Year Net Income/(Loss)	(2,355.56)
Subtotal Equity		\$ 12,865.09

TOTAL LIABILITIES & EQUITY	\$ 271,802.54
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# Downtown I & II Condominium

Page: 1

Income/Expense Statement  
Period: 01/01/18 to 01/31/18

		Current Period			Year-To-Date			Yearly
Account	Description	Actual	Budget	Variance	Actual	Budget	Variance	Budget
INCOME:								
04104	Condominium Fees	10,200.98	9,381.33	819.65	10,200.98	9,381.33	819.65	112,576.00
04114	Reserve	5,997.44	6,107.08	(109.64)	5,997.44	6,107.08	(109.64)	73,285.00
04128	Parking Fees	397.80	397.92	(.12)	397.80	397.92	(.12)	4,775.00
04302	Interest Revenue	8.18	4.17	4.01	8.18	4.17	4.01	50.00
04392	Non-payment Allowance	.00	(125.00)	125.00	.00	(125.00)	125.00	(1,500.00)
	Subtotal Income	16,604.40	15,765.50	838.90	16,604.40	15,765.50	838.90	189,186.00
EXPENSES								
Administrative Expenses								
05002	Management Fee	1,957.67	1,957.67	.00	1,957.67	1,957.67	.00	23,492.00
05004	Legal	16.38	66.67	50.29	16.38	66.67	50.29	800.00
05006	Audit/Tax Returns	150.00	291.67	141.67	150.00	291.67	141.67	3,500.00
05012	Postage, Printing	160.07	29.17	(130.90)	160.07	29.17	(130.90)	350.00
05038	Bank Charges	.00	8.33	8.33	.00	8.33	8.33	100.00
05098	Miscellaneous	.00	8.33	8.33	.00	8.33	8.33	100.00
	Administrative Expenses	2,284.12	2,361.84	77.72	2,284.12	2,361.84	77.72	28,342.00
Utilities								
05102	Electricity	163.27	150.75	(12.52)	163.27	150.75	(12.52)	1,809.00
05108	Water/Sewer	4,774.24	1,875.00	(2,899.24)	4,774.24	1,875.00	(2,899.24)	22,500.00
	Utilities	4,937.51	2,025.75	(2,911.76)	4,937.51	2,025.75	(2,911.76)	24,309.00
Contracted Services								
05202	Trash	.00	641.67	641.67	.00	641.67	641.67	7,700.00
05204	Grounds/Landscaping	.00	416.67	416.67	.00	416.67	416.67	5,000.00
05206	Exterminating	724.38	250.00	(474.38)	724.38	250.00	(474.38)	3,000.00
05230	Cleaning	722.32	725.00	2.68	722.32	725.00	2.68	8,700.00
05263	Fire Alarm Equipment	154.13	137.50	(16.63)	154.13	137.50	(16.63)	1,650.00
	Contracted Services	1,600.83	2,170.84	570.01	1,600.83	2,170.84	570.01	26,050.00
Repairs & Maintenance								
05302	Electrical	.00	62.50	62.50	.00	62.50	62.50	750.00
05306	Plumbing	.00	83.33	83.33	.00	83.33	83.33	1,000.00
05321	Roof	.00	41.67	41.67	.00	41.67	41.67	500.00
05322	Gutter	.00	41.67	41.67	.00	41.67	41.67	500.00
05326	Grounds/Landscaping	.00	41.67	41.67	.00	41.67	41.67	500.00
05328	Condensate Drain Cleaning	.00	250.00	250.00	.00	250.00	250.00	3,000.00
05332	Snow Removal	1,052.22	333.33	(718.89)	1,052.22	333.33	(718.89)	4,000.00

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## Period: 01/01/18 to 01/31/18

		Current Period			Year-To-Date			Yearly
Account	Description	Actual	Budget	Variance	Actual	Budget	Variance	Budget
05342	General Repairs	(125.00)	333.33	458.33	(125.00)	333.33	458.33	4,000.00
05377	Light Bulbs & Fixtures	.00	41.67	41.67	.00	41.67	41.67	500.00
05386	Locks, Keys, Doors, Closures	220.00	41.67	(178.33)	220.00	41.67	(178.33)	500.00
	Repairs & Maintenance	1,147.22	1,270.84	123.62	1,147.22	1,270.84	123.62	15,250.00
Personnel Services								
	Personnel Services	.00	.00	.00	.00	.00	.00	.00
Interest Expense								
	Interest Expense	.00	.00	.00	.00	.00	.00	.00
Depreciation & Amortization								
	Depreciation & Amortization	.00	.00	.00	.00	.00	.00	.00
Insurance, Taxes & License								
05910	Insurance - Master Policy	2,883.20	1,808.33	(1,074.87)	2,883.20	1,808.33	(1,074.87)	21,700.00
05930	Taxes - Corp Inc. Taxes	.00	20.83	20.83	.00	20.83	20.83	250.00
	Insurance, Taxes & Licens	2,883.20	1,829.16	(1,054.04)	2,883.20	1,829.16	(1,054.04)	21,950.00
Reserve Contributions								
06311	Replacement Reserve	6,107.08	6,107.08	.00	6,107.08	6,107.08	.00	73,285.00
	Reserve Contributions	6,107.08	6,107.08	.00	6,107.08	6,107.08	.00	73,285.00
	TOTAL EXPENSES	18,959.96	15,765.51	(3,194.45)	18,959.96	15,765.51	(3,194.45)	189,186.00
	Current Year Net Income/(loss	(2,355.56)	(.01)	(2,355.55)	(2,355.56)	(.01)	(2,355.55)	.00

# BUDGET

# Downtown I & II

	Approved 2012	Approved 2013	Approved 2014	Approved 2015	Approved 2016	Approved 2017
<b>INCOME</b>						
MEMBER ASSESSMENTS						
4104 Condominium Fees	\$104,250.00	\$108,198.00	\$109,191.00	\$109,191.00	\$109,191.00	\$112,576.00
4128 Parking Fees	\$4,445.00	\$4,590.00	\$4,631.00	\$4,631.00	\$4,631.00	\$4,775.00
4114 Reserve Contribution	\$20,000.00	\$20,000.00	\$20,000.00	\$59,005.00	\$73,285.00	\$73,285.00
4121 Special Reserve Contribution	\$55,754.00	\$53,285.00	\$53,285.00	\$14,280.00	\$0.00	\$0.00
Allowance for non-payment	\$(1,500.00)	\$(1,500.00)	\$(1,500.00)	\$(1,500.00)	\$(1,500.00)	\$(1,500.00)
<b>TOTAL MEMBER ASSESSMENTS</b>	<b>\$182,949.00</b>	<b>\$184,573.00</b>	<b>\$185,607.00</b>	<b>\$185,607.00</b>	<b>\$185,607.00</b>	<b>\$189,136.00</b>
OTHER REVENUE						
4302 Interest Revenue	\$600.00	\$600.00	\$600.00	\$100.00	\$50.00	\$50.00
Utility Rebate						
<b>TOTAL OTHER REVENUE</b>	<b>\$600.00</b>	<b>\$600.00</b>	<b>\$600.00</b>	<b>\$100.00</b>	<b>\$50.00</b>	<b>\$50.00</b>
<b>TOTAL REVENUE</b>	<b>\$183,549.00</b>	<b>\$185,173.00</b>	<b>\$186,207.00</b>	<b>\$185,707.00</b>	<b>\$185,657.00</b>	<b>\$189,186.00</b>
	Approved 2012	Approved 2013	Approved 2014	Approved 2015	Approved 2016	Approved 2017
<b>OPERATING EXPENSES</b>						
ADMINISTRATIVE EXPENSES						
5002 Management Fee	\$19,879.00	\$20,475.00	\$21,089.00	\$21,722.00	\$22,808.00	\$23,492.00
5004 Legal	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
5006 Audit/Tax Returns	\$2,362.00	\$2,480.00	\$2,480.00	\$2,850.00	\$2,850.00	\$3,500.00
5012 Postage/printing	\$500.00	\$400.00	\$400.00	\$450.00	\$450.00	\$350.00
5038 Bank Charges	\$250.00	\$150.00	\$150.00	\$150.00	\$100.00	\$100.00
5098 Miscellaneous	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
<b>TOTAL ADMINISTRATIVE EXPENSE</b>	<b>\$24,091.00</b>	<b>\$24,605.00</b>	<b>\$25,219.00</b>	<b>\$26,272.00</b>	<b>\$27,308.00</b>	<b>\$28,542.00</b>
UTILITIES						
5102 Electricity	\$2,500.00	\$2,000.00	\$1,800.00	\$1,890.00	\$1,890.00	\$1,809.00
5108 Water/Sewer	\$18,500.00	\$18,500.00	\$18,500.00	\$19,500.00	\$19,500.00	\$20,500.00
<b>TOTAL UTILITIES</b>	<b>\$21,000.00</b>	<b>\$20,500.00</b>	<b>\$20,300.00</b>	<b>\$21,390.00</b>	<b>\$21,390.00</b>	<b>\$22,309.00</b>
CONTRACTED SERVICES						
5202 Trash	\$9,100.00	\$9,100.00	\$9,100.00	\$9,100.00	\$8,500.00	\$8,500.00
5204 Grounds/Landscaping	\$4,400.00	\$4,400.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
5206 Exterminating	\$1,750.00	\$1,750.00	\$1,750.00	\$1,900.00	\$1,750.00	\$1,750.00
5230 Cleaning	\$6,500.00	\$6,500.00	\$6,500.00	\$6,800.00	\$7,500.00	\$7,500.00
5263 Fire Alarm Equipment	\$1,100.00	\$1,350.00	\$1,350.00	\$1,350.00	\$1,650.00	\$1,650.00
Floors & Carpet	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL CONTRACTED SERVICES</b>	<b>\$22,850.00</b>	<b>\$23,100.00</b>	<b>\$23,700.00</b>	<b>\$24,150.00</b>	<b>\$24,400.00</b>	<b>\$24,400.00</b>
REPAIRS & MAINTENANCE						
5302 Electrical	\$750.00	\$1,000.00	\$1,000.00	\$1,200.00	\$1,200.00	\$1,200.00



5306 Plumbing	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Security	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5321 Roof	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
5322 Gutter	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
5326 Grounds/Landscaping	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00	\$500.00
5332 Snow Removal	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$5,000.00	\$4,000.00
5342 General Repairs	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$4,000.00
5377 Light Bulbs & Fixtures	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
5386 Locks,Keys,Door Closures	\$500.00	\$500.00	\$500.00	\$750.00	\$750.00	\$500.00
Parking Lot/Garage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5389 Dryer Vent Cleaning	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Chimney Cleaning	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5328 Condensate Drain Cleaning	\$2,400.00	\$2,400.00	\$2,400.00	\$2,400.00	\$2,400.00	\$3,000.00
<b>TOTAL REPAIRS &amp; MAINTENANCE</b>	<b>\$18,550.00</b>	<b>\$18,800.00</b>	<b>\$18,800.00</b>	<b>\$19,250.00</b>	<b>\$21,750.00</b>	<b>\$18,700.00</b>
INSURANCE, TAXES & LICENSES						
5910 Insurance-Master Policy	\$20,670.00	\$21,700.00	\$21,700.00	\$21,700.00	\$21,700.00	\$21,700.00
5930 Taxes-Corp Inc Taxes	\$250.00	\$350.00	\$250.00	\$250.00	\$250.00	\$250.00
5990 Licenses	\$500.00	\$500.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL INSURANCE, TAXES &amp; LICEN</b>	<b>\$21,420.00</b>	<b>\$22,550.00</b>	<b>\$21,950.00</b>	<b>\$21,950.00</b>	<b>\$21,950.00</b>	<b>\$21,950.00</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$107,911.00</b>	<b>\$109,555.00</b>	<b>\$109,969.00</b>	<b>\$113,012.00</b>	<b>\$116,798.00</b>	<b>\$115,901.00</b>
	<b>Approved 2012</b>	<b>Approved 2013</b>	<b>Approved 2014</b>	<b>Approved 2015</b>	<b>Approved 2016</b>	<b>Approved 2017</b>
REPLACEMENT RESERVES						
6311 Replacement Reserve Contribution	\$20,000.00	\$20,000.00	\$20,600.00	\$58,415.00	\$68,859.00	\$73,285.00
6309 Special Assessment Contribution	\$55,638.00	\$55,638.00	\$55,638.00	\$14,280.00		
Roof Mortgage	\$(70,604.00)	\$(70,604.00)	\$(70,604.00)	\$(23,534.56)	\$0.00	\$0.00
Other Reserve Expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL REPLACEMENT RESERVES</b>	<b>\$5,034.00</b>	<b>\$5,034.00</b>	<b>\$5,634.00</b>	<b>\$49,160.44</b>	<b>\$68,859.00</b>	<b>\$73,285.00</b>
<b>TOTAL INCOME</b>	<b>\$183,549.00</b>	<b>\$185,173.00</b>	<b>\$186,207.00</b>	<b>\$185,707.00</b>	<b>\$185,657.00</b>	<b>\$189,186.00</b>
<b>LESS RESERVE CONTRIBUTION</b>	<b>\$75,638.00</b>	<b>\$75,638.00</b>	<b>\$76,238.00</b>	<b>\$72,695.00</b>	<b>\$68,859.00</b>	<b>\$73,285.00</b>
<b>LESS OPERATING EXPENSES</b>	<b>\$107,911.00</b>	<b>\$109,555.00</b>	<b>\$109,969.00</b>	<b>\$113,012.00</b>	<b>\$116,798.00</b>	<b>\$115,901.00</b>
<b>NET INCOME (LOSS)</b>	<b>\$0.00</b>	<b>\$(20.00)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>

# AUDIT

# Goldklang Group<sup>®</sup>

CPAs, P.C.

## Principals

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

## Associate Principals

Jeremy W. Powell, CPA  
Renee L. Watson, CPA

## Managers

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

June 27, 2017

Board of Directors  
Downtown I and II Condominium

Dear Board Members:

Enclosed, please find the draft audit for Downtown I and II Condominium for the years ended December 31, 2016 and 2015.

- Please sign and date the enclosed representation letter. The letter should be signed by either the President or Treasurer of the Association and the management agent representative. **This letter needs to be returned to our office before the audit can be finalized.**
- Please send the Association's most recent financial statements (which should include the balance sheet and income statement) to our office with the signed representation letter. We are requesting this information to comply with auditing standards.
- **Please return the signed representation letter and most recent financial statements to our office within 60 days from the date of this letter.** This information can be mailed, faxed or emailed to our office. Our email address is [RLs@GGroupCPAs.com](mailto:RLs@GGroupCPAs.com).

If we do not receive the above information within 60 days from the date of this letter, we may need to perform additional audit procedures to satisfy ourselves that no material events have occurred from the date that we completed our audit fieldwork through the date that we receive the signed representation letter. These additional procedures would include examining the bank statements, minutes, financial statements, general ledger and would also include inquiries of management and the board of directors. **We will bill the Association for these additional audit procedures at our hourly rates.**

Please do not hesitate to contact us if there are any questions regarding the draft audit.

Sincerely,

*Goldklang Group CPAs, P.C.*

GOLDKLANG GROUP CPAs, P.C.

**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

**Associate Principals**

Jeremy W. Powell, CPA  
Renee L. Watson, CPA

**Managers**

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

**INFORMATION INCLUDED WITH THE AUDIT**

**COVER LETTER** - The audit report is issued in draft for the Association to review. The cover letter explains what information must be returned to our office before the audit report (and other letters) can be finalized.

**INDEPENDENT AUDITOR'S REPORT** - This is our report on the Association's financial statements. Once finalized, the Association may distribute this document, along with the audited financial statements, notes to financial statements and any supplementary information in its entirety to members, potential members, etc.

**MANAGEMENT LETTER** - The management letter is not a required communication under auditing standards, but is a by-product of the audit. We generally issue a management letter to communicate our comments and recommendations. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER AU-C §260** - Under the Clarified Statements of Auditing Standards AU-C §260 we are required to communicate audit matters that, in our professional judgment, may be significant and relevant to those charged with governance of the Association. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES UNDER AU-C §265** - Under the Clarified Statements of Auditing Standards AU-C §265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association's internal controls. Use of this letter is restricted to the board of directors and management. If we did not note any significant deficiencies or material weaknesses, no letter will be issued.

**REPRESENTATION LETTER** - The representation letter is a letter from the Association to us confirming that to the best of your knowledge and belief all information was provided or disclosed to us. This letter needs to be signed by the President or Treasurer of the Association and the management agent representative. The letter needs to be returned to our office before the audit can be finalized.

**ADJUSTED TRIAL BALANCE AND ADJUSTING JOURNAL ENTRIES** - These are the proposed audit adjustments for the period under audit.

**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200  
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Independent Auditor's Report

To the Board of Directors of  
Downtown I and II Condominium

**Report on the Financial Statements**

We have audited the accompanying financial statements of Downtown I and II Condominium, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown I and II Condominium as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Reston, Virginia

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DOWNTOWN I AND II CONDOMINIUM  
BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 192,744	\$ 131,202
Assessments Receivable - Net	262	303
Special Assessments Receivable	-	53
Prepaid Insurance	<u>1,058</u>	<u>5,572</u>
 Total Assets	 <u>\$ 194,064</u>	 <u>\$ 137,130</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 3,384	\$ 5,330
Prepaid Assessments	2,354	2,796
Prepaid Special Assessments	<u>1,656</u>	<u>1,656</u>
Total Liabilities	<u>\$ 7,394</u>	<u>\$ 9,782</u>
 Replacement Reserves	 \$ 179,193	 \$ 112,834
Unappropriated Members' Equity	<u>7,477</u>	<u>14,514</u>
Total Members' Equity	<u>\$ 186,670</u>	<u>\$ 127,348</u>
 Total Liabilities and Members' Equity	 <u>\$ 194,064</u>	 <u>\$ 137,130</u>

See Accompanying Notes to Financial Statements

DOWNTOWN I AND II CONDOMINIUM  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>INCOME:</u>		
Assessments	\$ 186,952	\$ 172,689
Special Assessments	-	14,280
Interest	46	41
Bad Debt Recovery	-	1,124
Other	<u>768</u>	<u>57</u>
Total Income	<u>\$ 187,766</u>	<u>\$ 188,191</u>
<u>EXPENSES:</u>		
Administrative:		
Management Fees	\$ 22,808	\$ 21,722
Legal	3,963	2,227
Audit and Tax Preparation	3,100	2,950
Postage and Printing	251	215
Bank Charges	287	99
Miscellaneous	<u>80</u>	<u>161</u>
Total Administrative	<u>\$ 30,489</u>	<u>\$ 27,374</u>
Utilities:		
Electricity	\$ 1,653	\$ 1,543
Water and Sewer	<u>28,418</u>	<u>22,223</u>
Total Utilities	<u>\$ 30,071</u>	<u>\$ 23,766</u>
Contracted Services:		
Trash Removal	\$ 7,957	\$ 8,412
Landscaping	6,349	6,432
Exterminating	3,278	1,713
Cleaning	7,828	7,078
Fire Equipment	<u>1,494</u>	<u>1,649</u>
Total Contracted Services	<u>\$ 26,906</u>	<u>\$ 25,284</u>

See Accompanying Notes to Financial Statements



DOWNTOWN I AND II CONDOMINIUM  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(CONTINUED)

	<u>2016</u>	<u>2015</u>
Repairs and Maintenance:		
Electrical	\$ 1,141	\$ 1,655
Plumbing	993	4,516
Snow Removal	4,040	10,205
General Repairs and Maintenance	11,796	17,860
Keys, Locks and Door Closures	<u>627</u>	<u>1,258</u>
Total Repairs and Maintenance	<u>\$ 18,597</u>	<u>\$ 35,494</u>
Insurance, Bad Debt, and Income Taxes:		
Insurance	\$ 19,317	\$ 20,339
Bad Debt	314	-
Income Taxes	<u>250</u>	<u>250</u>
Total Insurance, Bad Debt, and Income Taxes	<u>\$ 19,881</u>	<u>\$ 20,589</u>
Total Expenses	<u>\$ 125,944</u>	<u>\$ 132,507</u>
Net Income before Contribution to Reserves and Amortization	\$ 61,822	\$ 55,684
Contribution to Reserves	<u>(68,859)</u>	<u>(72,695)</u>
Net Income (Loss)	<u><u>\$ (7,037)</u></u>	<u><u>\$ (17,011)</u></u>

DOWNTOWN I AND II CONDOMINIUM  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Total Members' Equity</u>
Balance as of December 31, 2014	\$ 40,297	\$ 31,525	\$ 71,822
Additions:			
Contribution to Reserves	58,415		58,415
Special Assessment	14,280		14,280
Deductions:			
Loan Interest	(158)		(158)
Net Loss	<u>                    </u>	<u>(17,011)</u>	<u>(17,011)</u>
Balance as of December 31, 2015	\$ 112,834	\$ 14,514	\$ 127,348
Addition:			
Contribution to Reserves	68,859		68,859
Deductions:			
Reserve Study	(2,500)		(2,500)
Net Loss	<u>                    </u>	<u>(7,037)</u>	<u>(7,037)</u>
Balance as of December 31, 2016	<u>\$ 179,193</u>	<u>\$ 7,477</u>	<u>\$ 186,670</u>

See Accompanying Notes to Financial Statements

DOWNTOWN I AND II CONDOMINIUM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (7,037)	\$ (17,011)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	314	(1,124)
Decrease (Increase) in:		
Assessments Receivable	(273)	1,419
Prepaid Insurance	4,514	(1,698)
Increase (Decrease) in:		
Accounts Payable	(1,946)	2,160
Prepaid Assessments	(442)	146
Net Cash Flows from Operating Activities	<u>\$ (4,870)</u>	<u>\$ (16,108)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 68,859	\$ 58,415
Received from Special Assessment (Reserves)	53	11,567
Disbursed for Reserve Expenditures	(2,500)	(158)
Net Cash Flows from Investing Activities	<u>\$ 66,412</u>	<u>\$ 69,824</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Disbursed for Loan Payable	\$ -	\$ (15,340)
Net Change in Cash and Cash Equivalents	\$ 61,542	\$ 38,376
Cash and Cash Equivalents at Beginning of Year	<u>131,202</u>	<u>92,826</u>
Cash and Cash Equivalents at End of Year	<u>\$ 192,744</u>	<u>\$ 131,202</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 250</u>	<u>\$ 250</u>
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 158</u>

See Accompanying Notes to Financial Statements

DOWNTOWN I AND II CONDOMINIUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an association organized under the laws of the District of Columbia for the purposes of preserving and maintaining the common areas of the Association. The Association is located at 1201-1227 N Street and 1300-1308 12<sup>th</sup> Street in NW, Washington, D.C. The Condominium consists of 50 residential units and 17 parking spaces. The Association's Board of Directors administers the operations of the Condominium.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting, in which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common, and not by the Association. Common property includes, but is not limited to, the exterior structures and mechanical equipment.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

DOWNTOWN I AND II CONDOMINIUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Property Diagnostics, Inc. during 2009 and updated during 2016. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the updated study.

The 2009 study recommends a contribution to reserves of \$34,000 for 2016. For 2016, the Association budgeted to contribute \$68,859 to reserves.

During 2010, the Association entered into a roof replacement project. As explained in Note 7, the Association borrowed \$300,000 to fund the cost of the roof replacement project and levied a special assessment to pay back the loan. The Association also intends to use replacement reserves to help fund the project. The special assessments are being contributed to replacement reserves. For 2016 and 2015, the Association contributed \$0 and \$14,280, respectively, of special assessments to replacement reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2016 and 2015, the Association had a balance of \$179,193 and \$112,834, respectively, in replacement reserves. These designated reserves were funded by cash and cash equivalents.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation

DOWNTOWN I AND II CONDOMINIUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(CONTINUED)

NOTE 4 - INCOME TAXES: (CONTINUED)

that operating expenses are deductible only to the extent of income from members. For 2016 and 2015, the income taxes were calculated using the corporate method.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2016 and 2015, the Association did not incur any penalties and interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the District of Columbia.

In accordance with accounting standards, a deferred tax asset has been recorded in the financial statements. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax basis. They are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. That is, the interest expense deductions currently exceed taxable income, and a deferred tax asset will be shown until this excess is applied to future years' taxable income.

As of December 31, 2016 and 2015, the Association had a non-membership loss carryforward of \$27,835, related to interest expense on the loan payable. As of December 31, 2016 and 2015, the Association had a deferred tax asset of \$6,482, which represents \$3,768 for federal and \$2,714 for state income taxes. A valuation allowance has been established to adjust for the portion of the loss carryforward that may expire before it can be utilized. The deferred tax asset, net of the valuation allowance, was as follows:

	<u>2016</u>	<u>2015</u>
Deferred Tax Asset	\$ 6,482	\$ 6,482
Less: Valuation Allowance	<u>(6,482)</u>	<u>(6,482)</u>
Deferred Tax Asset - Net	<u>\$ -</u>	<u>\$ -</u>

The remaining non-membership loss carryforward and expiration dates are as follows:

<u>Expiration Date</u>	<u>Loss Carryforward</u>
2030	\$ 12,528
2031	<u>15,307</u>
Total	<u>\$ 27,835</u>

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS:

As of December 31, 2016, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>
SunTrust Bank	Checking	\$ 100,151
SunTrust Bank	Money Market	<u>92,593</u>
	Total	<u>\$ 192,744</u>

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2016</u>	<u>2015</u>
Assessments Receivable	\$ 7,441	\$ 7,168
Less: Allowance for Doubtful Assessments	<u>(7,179)</u>	<u>(6,865)</u>
Assessments Receivable - Net	<u>\$ 262</u>	<u>\$ 303</u>

NOTE 7 - LOAN PAYABLE:

In 2010, the Association obtained a loan from SunTrust Bank of \$300,000 to provide funding for the 2010 roof replacement project. The loan was for a term of 5 years at 6.5% interest. The loan called for monthly payments of \$5,884 and was collateralized by future assessments. In addition, SunTrust Bank has a security interest in and a lien upon all deposits maintained with SunTrust Bank. Loan acquisition costs were being amortized over the life of the loan. As of December 31, 2015, the Association has satisfied its loan obligation to SunTrust Bank.

DOWNTOWN I AND II CONDOMINIUM  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(CONTINUED)

NOTE 8 - SPECIAL ASSESSMENT:

During 2010, the Association approved a five year special assessment in the amount of \$287,500 to fund the roof project. The special assessment was collected in monthly payments from May 2010 through April 2015. The special assessment was originally due in 60 monthly installments of \$90.08 for a 1.88% percentage interest, \$122.19 for a 2.55% percentage interest and \$120.75 for a 2.52% percentage interest. However, the Association assessed the unit owners based on the budgeted special assessments for the year times their respective percentage interests, resulting in actual charges of only \$273,276.

NOTE 9 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through [date to be inserted upon finalization], the date the financial statements were available to be issued.

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DOWNTOWN I AND II CONDOMINIUM  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2016  
(UNAUDITED)

The Association had a replacement reserve study conducted by Property Diagnostics, Inc. during 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2016 Estimated Remaining Useful Life (Years)</u>	<u>2016 Estimated Replacement Cost</u>
Architectural Grounds	2-18	\$ 244,596
Building Envelope	1-18	570,356
Building Interior	2-10	37,880
Mechanical/Plumbing/Electrical	4-32	447,720

# Goldklang Group<sup>®</sup>

CPAs, P.C.

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Jeremy W. Powell, CPA  
Renee L. Watson, CPA

## Managers

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

### ***Management Letter***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

June 27, 2017

Board of Directors  
Downtown I and II Condominium

Dear Board Members:

In planning and performing our audit of the financial statements of Downtown I and II Condominium as of December 31, 2016 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter summarizes our comments and suggestions regarding those matters.

### **Association Specific Comments**

#### **Financial Analysis**

As of December 31, 2016, the Association had a surplus of \$7,477 in excess operating funds (unappropriated members' equity). This represents approximately 4% of annual assessments. We recommend the Association maintain excess operating funds at a level of 10% to 20% of annual assessments. This procedure should ensure that potential operating deficits will not consume funds designated for replacement reserves.

Associations budget their income evenly over a twelve-month period. When assessments become delinquent, cash flow problems develop and the Association may have problems paying its monthly expenses. As of December 31, 2016, the Association's assessments receivable balance of \$7,441 (before deducting the allowance for doubtful assessments of \$7,179) was equal to 4% of annual assessments.

An assessments receivable balance of 3% or more of annual assessments suggests the Association may have future cash flow problems. We recommend the Association continue to aggressively pursue all delinquent accounts.

As of December 31, 2016, the Association had designated \$179,193 for replacement reserves. These replacement reserves were funded by cash and cash equivalents.

#### Update Reserve Study

We commend the Association in obtaining a new reserve study during 2016. We recommend the Association use this study as the basis for determining annual contributions to reserves.

#### Contracts Need to be Updated

The Association's current management and cleaning contracts are outdated. We recommend the Association obtain new contracts with the vendors that detail the terms of service, monthly fee, and annual price increases.

#### Board of Directors Minutes

It is our understanding, based on discussions with management that the Association does not always meet on a regular basis. It is important for the Association to meet on a regular basis and record formal minutes for the Association's records. Minutes of board meetings are important records of the decisions concerning areas of the Association's business and financial affairs. Whenever a meeting is held, minutes should be recorded. We recommend the Association begin to record meetings and include the following information within the minutes:

- 1) Approval of final operating budget (gross assessments and reserve contribution)
- 2) Approval of monthly contractual services (vendors and amounts)
- 3) Approval of major non-reserve expenditures (vendors and amounts)
- 4) Approval of expenditures out of reserves (vendors and amounts)
- 5) Transfer of funds from one bank to another (dates and amounts)
- 6) Write-off of any assessments receivable (units and amounts)

These and other business and financial decisions should be included in the minutes in order to have documentation of board actions and provide guidance to management.

#### Special Assessment Charges

During 2010, the Association approved a five-year special assessment to help pay back the roof fund loan. The special assessment began May 1, 2010 and ended April 2015. Unit owners were given the option to pay the special assessment in full or spread it out over the five years. The original special assessment letter states an annual special assessment charge of \$57,500 each year with the first and last years prorated. The special assessment was originally due in 60 monthly installments of \$90.08 for a 1.88% percentage interest, \$122.19 for a 2.55% percentage interest and \$120.75 for a 2.52% percentage interest. However, the Association assessed the unit owners based on the budgeted special assessments for the year times their respective percentage interests, resulting in actual charges of only \$273,276.

The unit owners that prepaid in full during the five year period were assessed at the monthly rate for that year, and thus were not charged in line with unit owners that did not prepay. We proposed an

adjustment to record the differences charged to owners that prepaid as prepaid special assessments. These amounts should be returned to the unit owners so that all owners with the same percentage interest are assessed the same special assessment.

#### Income Taxes

For 2016, we recommend the Association file using the exempt method.

#### Industry Standard Comments

##### Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

##### Investment Policy

The Association should have a conservative investment policy, which is structured around three elements, in order of importance 1) safety, 2) liquidity and 3) yield. Because safety and liquidity are of prime importance to any association, we recommend investments be limited to instruments of the federal government, which are backed by its full faith and credit, and money market accounts and certificates of deposit at insured institutions.

Periodically, the Association should monitor its accounts for FDIC and SIPC coverage. The FDIC insurance limit is \$250,000 per financial institution. Cash and securities held at a SIPC member brokerage firm are insured by the SIPC for up to \$500,000, which includes \$250,000 limit for cash. The Association should also periodically check the ratings for all financial institutions used by the Association.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

# Goldklang & Group<sup>®</sup>

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## Principals

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### ***Communication with Those Charged with Governance under AU-C §260***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

June 27, 2017

Board of Directors  
Downtown I and II Condominium

Dear Board Members:

We have audited the financial statements of Downtown I and II Condominium as of December 31, 2016 and for the year then ended and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information required by the Financial Accounting Standards Board, as described by professional standards, is to apply certain limited procedures to the information about management's methods of preparing the information; however, we will not express an opinion or any assurance on the information.

#### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates for the year under audit.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures to the financial statements for the year under audit.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association and will be posted to the Association's accounts, if appropriate. The journal entries are material, either individually or in the aggregate, to the financial statements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

**Associate Principals**

Jeremy W. Powell, CPA  
Renee L. Watson, CPA

**Managers**

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

***Communication of Significant Deficiencies and/or Material Weaknesses under AU-C §265***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

June 27, 2017

Board of Directors  
Downtown I and II Condominium

Dear Board Members:

In planning and performing our audit of the financial statements of Downtown I and II Condominium as of December 31, 2016 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses or other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Association's internal control to be material weaknesses or significant deficiencies:



### Cash Basis of Accounting Used

The Association's accounting records are maintained on a cash basis of accounting throughout the year. We have proposed several material adjustments to present the financial statements on the accrual basis of accounting. The absence of controls over preparing the financial statements on the accrual basis of accounting, which is in accordance with U.S. GAAP, is considered a material weakness because there is a reasonable possibility that a material misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the Association's internal control.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

Draft

### ***Representation Letter***

*This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.*

### **Downtown I and II Condominium**

GOLDKLANG GROUP CPAs, P.C.  
1801 Robert Fulton Drive, Suite 200  
Reston, Virginia 20191

Dear Auditors:

The representation letter is provided in connection with your audits of the financial statements of **Downtown I and II Condominium** which comprise the balance sheets as of **December 31, 2016 and 2015**, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, **to the best of our knowledge and belief**, the following representations made to you during your audits:

#### **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements. In regard to the non-attest services outlined in our engagement letter to be performed by you, we have –
  - Assumed all management responsibilities.
  - Designated an individual with suitable skill, knowledge, or experience to oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Association's accounts, if appropriate.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning pending litigation, claims, or assessments.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Transfers or designations of equity balance or inter-equity borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
- Uncollectible inter-equity loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- Minutes of meetings of the Board of Directors were not provided. No actions were taken at the meetings that would require disclosure in, or adjustments to, the financial statements.
- We have provided you with communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning pending litigation, claims, or assessments.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- Except as made known to you and disclosed in the notes to the financial statements, the Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. If applicable, we have reviewed our long lived assets for impairment.
- We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI. The Association had a study conducted in 2016. Amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.
- We understand that the Association is responsible for the choice of income tax filing method and the consequences thereof. The Association's allocation of expenses against exempt and nonexempt function income conforms to IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
- Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated realizable value.
- We have reviewed with our insurance agent the adequacy of our insurance coverage, including compliance with any statutory or documentary requirements.
- We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on May 16, 2017 and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

---

**Downtown I and II Condominium  
December 31, 2016 and 2015**

Management Representative:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

President/Treasurer:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

06/26/2017

Adjusted Trial Balance

Reviewed by\_\_\_\_\_

08:46 AM

for the period ended December 31, 2016

Page 1

Account # / Description	Prior Period (Adjusted) 12/31/2015	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpa Refere
1001 Checking - Operating	38,655.39	100,150.87			100,150.87	B-1
1141 Money Fund - Suntrust	92,546.65	92,592.95			92,592.95	B-2
1204 Assessments Receivable	7,167.56		AJE-1 AJE-2 AJE-3	7,167.56 (7,167.56) 7,441.30	7,441.30	E-1
1205 Special Assessments AR	52.72		AJE-1 AJE-2	52.72 (52.72)		
1206 Allowance for D/A	(6,865.20)		AJE-1 AJE-8	(6,865.20) (313.74)	(7,178.94)	F-1
1310 Prepaid Insurance	5,572.20		AJE-1 AJE-7	5,572.20 (4,514.20)	1,058.00	G-1
2002 Accounts Payable	(5,329.80)		AJE-1 AJE-4 AJE-5	(5,329.80) 5,329.80 (3,383.59)	(3,383.59)	N-1
2104 Prepaid Assessments	(2,795.53)		AJE-1 AJE-2 AJE-3	(2,795.53) 2,795.53 (2,353.73)	(2,353.73)	E-1
2105 Prepaid Special Assessments - Prior Owners	(1,655.68)		AJE-1	(1,655.68)	(1,655.68)	S-1
3311 Replacement Reserve	(112,834.36)	(176,265.47)	AJE-1 AJE-4	(0.36) (2,927.53)	(179,193.36)	R-1
3339 Allowance for non-payment		(1,500.00)	AJE-1	1,500.00		
3452 Retained Earnings	(31,523.50)	(14,978.35)	AJE-1	464.40	(14,513.95)	***
(Profit) Loss	17,009.55	-		7,036.13	7,036.13	
	-	-		-	-	

06/26/2017

Adjusted Trial Balance

Reviewed by\_\_\_\_\_

08:46 AM

for the period ended December 31, 2016

Page 2

Account # / Description	Prior Period (Adjusted) 12/31/2015	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpa Refere
4104 Condo Fees	(109,191.00)	(109,419.32)	AJE-2 AJE-3 AJE-3	(2,713.34) 2,353.73 587.93	(109,191.00)	Y-1
4114 Reserve Assessments	(59,005.00)	(70,645.03)	AJE-2 AJE-3 AJE-3	217.83 (944.38) (1,913.42)	(73,285.00)	Y-1
4121 Special Reserve	(14,279.52)	(1,966.14)	AJE-2 AJE-3	52.72 1,913.42		
4128 Parking Fees	(4,493.01)	(4,478.11)	AJE-2	2.34	(4,475.77)	Y-1
4140 Late Charges			AJE-2 AJE-3	139.00 (139.00)		
4141 Bad Debt Recovery	(1,124.35)					
4142 Legal Income	(57.00)		AJE-2 AJE-3 AJE-6	6,726.20 (6,945.85) (548.78)	(768.43)	
4302 Interest Income	(41.03)	(46.30)			(46.30)	B-2
5002 Management Fees	21,722.04	22,808.04			22,808.04	X-1
5004 Legal	2,227.00	3,356.82	AJE-5 AJE-6	57.00 548.78	3,962.60	X-1
5006 Audit/Tax	2,950.00	3,450.00	AJE-4 AJE-6	(100.00) (250.00)	3,100.00	X-1
5012 Postage, Printing	215.36	250.60			250.60	
5038 Bank Charges	99.14	286.50			286.50	
5040 Bad Debt Expense			AJE-8	313.74	313.74	F-1
5098 Miscellaneous Expense	160.00	80.00			80.00	
5102 Electricity	1,543.13	1,708.60	AJE-4 AJE-5	(236.00) 180.61	1,653.21	
5108 Water & sewer	22,223.35	27,302.55	AJE-4 AJE-5	(589.00) 1,704.83	28,418.38	X-1
5202 Trash Removal	8,412.24	7,957.24	AJE-4 AJE-5	(634.77) 634.77	7,957.24	X-1
5204 Grounds Landscape Contract	5,781.90	6,091.20			6,091.20	X-1
5206 Exterminating	1,713.12	3,278.24			3,278.24	
5230 Cleaning	7,077.84	7,827.84			7,827.84	X-1

06/26/2017

Adjusted Trial Balance

Reviewed by\_\_\_\_\_

08:46 AM

for the period ended December 31, 2016

Page 3

Account # / Description	Prior Period (Adjusted) 12/31/2015	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpa Refere
5263 Fire Equipment	1,649.33	1,494.20			1,494.20	
5302 Electrical Repairs	1,654.52	501.65	AJE-5	639.64	1,141.29	
5306 Plumbing R&M	4,515.65	1,737.50	AJE-4 AJE-5	(842.50) 98.00	993.00	
5321 Roof Repairs		545.00			545.00	
5326 Grounds Landscape R&M	650.00	258.17			258.17	
5332 Snow Removal	10,204.88	3,970.79	AJE-5	68.74	4,039.53	
5342 General Repairs	17,480.94	7,648.50			7,648.50	X-1
5346 Painting & Plastering		985.00			985.00	
5372 Maintenance Supplies	142.87					
5377 Light Bulbs	235.66					
5386 Keys/Locks & Services	1,257.55	626.94			626.94	
5393 Dryer Vent Cleaning		2,617.31			2,617.31	
5910 Insurance Master Policy	20,338.90	14,802.90	AJE-7	4,514.20	19,317.10	G-1
5930 Income Tax	250.00		AJE-6	250.00	250.00	T-1
6309 Reserve - Special Assessment	14,280.00					
6311 Transfer from Reserve	58,415.04	68,859.00			68,859.00	R-1
6339 Allowance for non-payment		1,500.00	AJE-1	(1,500.00)		
9999 Year Suspense		(3,389.69)	AJE-1	3,389.69		
(Profit) Loss	17,009.55	-		7,036.13	7,036.13	

Account #	Account Name / Description	Debits	Credits
12/31/2016	AJE 1		
1204	Assessments Receivable	7,167.56	
1205	Special Assessments AR	52.72	
1206	Allowance for D/A		6,865.20
1310	Prepaid Insurance	5,572.20	
2002	Accounts Payable		5,329.80
2104	Prepaid Assessments		2,795.53
2105	Prepaid Special Assessments - Prior Owners		1,655.68
3339	Allowance for non-payment	1,500.00	
6339	Allowance for non-payment		1,500.00
3452	Retained Earnings	464.40	
3311	Replacement Reserve		0.36
9999	Year Suspense	3,389.69	

## TO RECORD PRIOR YEAR'S ADJUSTING ENTRIES AND TO TIE EQUITY

12/31/2016	AJE 2		
2104	Prepaid Assessments	2,795.53	
4104	Condo Fees		2,713.34
1205	Special Assessments AR		52.72
1204	Assessments Receivable		7,167.56
4128	Parking Fees	2.34	
4142	Legal Income	6,726.20	
4140	Late Charges	139.00	
4114	Reserve Assessments	217.83	
4121	Special Reserve	52.72	

## TO REVERSE PRIOR YEAR'S ASSESSMENTS RECEIVABLE AND PREPAID ASSESSMENTS

12/31/2016	AJE 3		
4104	Condo Fees	2,353.73	
2104	Prepaid Assessments		2,353.73
1204	Assessments Receivable	7,441.30	
4104	Condo Fees	587.93	
4114	Reserve Assessments		944.38
4142	Legal Income		6,945.85
4140	Late Charges		139.00
4121	Special Reserve	1,913.42	
4114	Reserve Assessments		1,913.42

## TO RECORD CURRENT YEAR'S ASSESSMENTS RECEIVABLE AND PREPAID ASSESSMENTS

12/31/2016	AJE 4		
2002	Accounts Payable	5,329.80	
3311	Replacement Reserve		2,927.53
5006	Audit/Tax		100.00



Account #	Account Name / Description	Debits	Credits
5102	Electricity		236.00
5108	Water & sewer		589.00
5306	Plumbing R&M		842.50
5202	Trash Removal		634.77
TO REVERSE PRIOR YEAR'S ACCOUNTS PAYABLE			
12/31/2016		AJE 5	
2002	Accounts Payable		3,383.59
5004	Legal	57.00	
5102	Electricity	180.61	
5108	Water & sewer	1,704.83	
5202	Trash Removal	634.77	
5302	Electrical Repairs	639.64	
5306	Plumbing R&M	98.00	
5332	Snow Removal	68.74	
TO RECORD CURRENT YEAR'S ACCOUNTS PAYABLE			
12/31/2016		AJE 6	
5004	Legal	548.78	
4142	Legal Income		548.78
5930	Income Tax	250.00	
5006	Audit/Tax		250.00
TO RECLASSIFY INTO THE CORRECT GL ACCOUNTS			
12/31/2016		AJE 7	
5910	Insurance Master Policy	4,514.20	
1310	Prepaid Insurance		4,514.20
TO ADJUST PREPAID INSURANCE			
12/31/2016		AJE 8	
5040	Bad Debt Expense	313.74	
1206	Allowance for D/A		313.74
TO ADJUST THE ALLOWNCE FOR DOUBTFUL ASSESSMENT			
Totals		54,716.68	54,716.68

# DECLARATION

**MERGER OF CONDOMINIUMS AND AMENDMENT AND  
RESTATEMENT OF DECLARATION OF CONDOMINIUM  
DOWNTOWN I AND II, A CONDOMINIUM**

THIS MERGER OF CONDOMINIUM AND AMENDMENT AND  
RESTATEMENT OF DECLARATION OF CONDOMINIUM ("Declaration") is made  
as of August 7, 2002 by Twelfth & N Street, LLC, with its principal office in the  
District of Columbia located at 3824 Klinge Place, N.W., Washington, D.C. 20016  
(the "Declarant").

WHEREAS, the Declarant is the owner in fee simple of (i) land designated as  
Lot 30 in Square 280 in the District of Columbia as shown in a plat of subdivision,  
recorded at Book 179, Page 153 in the Office of the Surveyor for the District of  
Columbia (the "Downtown I Property") and (ii) the land designated as Lot 31 in  
Square 280 in the District of Columbia as shown in a plat of subdivision recorded in  
Book 179, Page 154 in the Office of the Surveyor of the District of Columbia (the  
"Downtown II Property"); and

WHEREAS, the Declarant has constructed improvements upon the aforesaid  
premises; and

WHEREAS, Barrett M. Linde Builders, Inc. and Management and  
Development Associates, Inc., created a condominium regime on the Downtown I  
Property pursuant to a Declaration of Condominium dated February 2, 1989  
recorded June 28, 1989 as Instrument No. 37816 among the Land Records of the  
District of Columbia, Bylaws dated February 2, 1989 recorded June 28, 1989 as  
Instrument No. 37817 among said Land Records and plats and plans recorded in  
Condominium Book 38, Page 23 in the Office of the Surveyor of the District of  
Columbia ("Downtown I, a Condominium"); and

WHEREAS, Barrett M. Linde Builders, Inc. and Management and  
Development Associates, Inc. created a condominium regime on the Downtown II  
Property pursuant to a Declaration of Condominium dated February 2, 1989  
recorded June 28, 1989 as Instrument No. 37818 among the Land Records of the  
District of Columbia, By-laws dated February 2, 1989, recorded June 28, 1989 as  
Instrument No. 37819 among said Land Records and plats and plans recorded in  
Condominium Book 38, page 24 in the Office of the Surveyor, District of Columbia  
("Downtown II, a Condominium"); and

WHEREAS, Declarant is the sole owner and successor declarant of  
Downtown I, a Condominium and Downtown II, a Condominium and desires to  
merge the foreshaid condominiums into a single condominium pursuant to Section  
42-1903.19 of the District of Columbia Condominium Act; and

AFTER RECORDING RETURN TO:  
Holland & Knight LLP  
2099 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
Attn: Steven L. Dube, Esquire

2258012002 #000

WHEREAS, the Declarant desires and intends by the recordation of this Merger of Condominiums and Amendment and Restatement of Declaration of Condominium to merge Downtown I, a Condominium and Downtown II, a Condominium into a single condominium known as Downtown I and II, a Condominium and to amend and restate the Declaration of Condominiums for Downtown I, a Condominium, and Downtown II, a Condominium as set forth above.

NOW, THEREFORE, the Declarant hereby declares that Downtown I, a Condominium and Downtown II, a Condominium are hereby merged into a single condominium to be known as Downtown I and II, a Condominium and that the Declaration of Condominium of Downtown I, a Condominium and Declaration of Condominium of Downtown II, a condominium are hereby amended and restated as hereinafter set forth and that all of the Property described above, together with all improvements constructed thereon and all appurtenances thereto, shall be held, conveyed, divided or subdivided, leased, rented and occupied, improved, hypothecated and/or encumbered as a condominium under the provisions of the District of Columbia Condominium Act of 1976 (D.C. Law No. 1-89) subject to the covenants, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens, (hereinafter sometimes referred to as "covenants and restrictions") hereinafter set forth, including the provisions of the Amended and Restated By-Laws of the Council of Unit Owners of the condominium, recorded immediately subsequent hereto and by reference incorporated herein, all of which are declared and agreed to be in aid of a plan for improvements of said property, and the division thereof into units, and shall be deemed to run with and bind the land, and shall inure to the benefit of and be enforceable by the Declarants, their successors and assigns, and any person acquiring or owning an interest in said property, and improvements including, without limitation, any person, group of persons, corporation, trust or other legal entity, or any combination thereof which holds such interest solely as security for the performance of an obligation.

1. Definitions. The terms used in this Declaration and in the attached Bylaws shall have the following meanings:

(a) "Board of Directors" means the governing body of the Unit Owners' Association.

(b) "Building" means the building erected on the Land, as described on the Plat and on the Plans, in the Section of this Declaration captioned "Building and Units; Percentage Interests", and in any amendment to either of the foregoing.

(c) "Bylaws" means the Bylaws as amended and restated and recorded immediately subsequent hereto, as may be further amended from time to time.

(d) "Common Elements", both "General" and "Limited", means all parts of the Condominium other than the Units, as more fully set forth in the Section of this Declaration captioned "Common Elements".

(e) "Common Expenses" means and includes all sums lawfully assessed against the Unit Owners by the Unit Owners Association, including without limitation (i) expenses of administration, maintenance, repair or replacement of the Common Elements, including insurance premiums and contributions to such reserves as may be established, and (ii) expenses declared Common Expenses pursuant to the provisions of the Condominium Act or this Declaration or the Bylaws.

(f) "Condominium Act" means D.C. Law 1-89 codified in Title 42, Chapter 19, District of Columbia Code (2001 Edition, as amended).

(g) "Condominium Instruments" means the Declaration and Bylaws.

(h) "Condominium Unit" means a Unit together with the Limited Common Elements appurtenant thereto and an undivided interest in the General Common Elements appertaining to that Unit.

(i) "Declarant" means Twelfth & N Street, LLC and their successors and assigns at any time standing in the same relation to the Condominium as their predecessor(s) in interest.

(j) "Managing Agent" means any professional managing agent employed to perform duties and services for the Condominium in accordance with the provisions of the Condominium Act, this Declaration and the Bylaws.

(k) "Mortgage" means any recorded first deed of trust or first mortgage encumbering a Condominium Unit.

(l) "Mortgagee" means any person or entity secured under a Mortgage.

(m) "Par Value" means the number of points assigned to each Unit by this Declaration as set forth on Exhibit A attached hereto and made a part of this Declaration.

(n) "Percentage Interest" means the undivided percentage interest of each Unit in the Common Elements as set forth in Exhibit A attached to and made a part of this Declaration, as amended from time to time in accordance with the provisions of the Condominium Act and this Declaration.

(o) "Plans" consist of the plans of the Building showing the location and boundaries of each Unit, and related matters and any amendments thereto, made, certified and recorded in the Office of the Surveyor of the District of Columbia as set forth in the recitals hereto.

(p) "Plat" means the plat of survey of the Land and related matters and any amendments thereto, made, certified and recorded in the office of the Surveyor of the District of Columbia as set forth in the recitals hereto.

(q) "Rules and Regulations" means the rules and regulations adopted from time to time by the Board of Directors pursuant to the Bylaws.

(r) "Unit" means a unit as defined by the Condominium Act, as separately described as a Unit on the Plat, on the Plans, in the Sections of this Declaration captioned "Building and Units; Percentage Interests" and "Dimensions of Units," and in any amendment to any of the foregoing.

(s) "Unit Owner" means any natural person, corporation, partnership, association, trust or other entity capable of holding title to real property, or any combination thereof, which owns fee simple title to a Condominium Unit, but does not include a mortgagee, as such, unless and until such mortgagee takes title to a Unit by foreclosure or process in lieu thereof.

(t) "Unit Owners' Association" means all of the Unit owners acting as a group in accordance with the provisions of the Condominium Act, this Declaration and the Bylaws.

2. Submission to Condominium Regime. The Declarant hereby resubmits to the provisions of Title 42, Chapter 19 of the District of Columbia Code (2001 Edition, as amended) Lot 30, Square 280, and Lot 31, Square 280 (collectively the "Land,") together with the Building and the other improvements erected or to be erected thereon (the "Condominium"), in order to create a plan of condominium ownership in such Land, Building and improvements. The property is shown on the Plat and Plans recorded with the office of the Surveyor of the District of Columbia in Condominium Book 38, at page 23 and Condominium Book 38, Page 24.

3. Name of Condominium. The Condominium is known as "Downtown I and II, a Condominium".

4. Building and Units; Percentage Interests. There has been or shall be erected on the Land a Building containing fifty (50) Units and appurtenant facilities as shown on the Plat and on the Plans. The location, dimensions and area of the improvements on the Land are shown on the Plat and the Plans. Attached hereto and made a part hereof as Exhibit A is a serial list of all Units in the Condominium, the Par Value assigned to each Unit and the Percentage Interest of each Unit in the

Common Elements determined on the basis of the proportion the Par Value of each Unit bears to the total Par Value of all Units.

5. Dimensions of Units. Each Unit consists of the space measured horizontally from and to the outside (unexposed) surface of the drywall enclosing the Unit (except where such drywall faces exterior brick in which event measurements shall be made to the unexposed surface of the exterior brick) and the inside (unexposed surface of the exterior brick enclosing the Unit, and the space measured vertically from the inside (exposed) surface of the concrete flooring of the Unit to the inside (exposed) surface of the concrete ceiling, of the Unit. Included as part of each Unit are: (a) The front entrance door to the Unit; (b) all windows in the Unit; (c) interior ceilings, floors and walls; (d) air-conditioning and heating components serving only the Unit, whether located within or without the designated boundaries of such Unit; and (e) fireplaces; (f) subject to the following sentence, all space, interior partitions and other fixtures and improvements (including without limitation sinks, bathtubs and other plumbing facilities, refrigerators, ovens and other appliances) within the designated boundaries of the Unit. If any chutes, flues, ducts, conduits, wires, bearing walls or columns, or any other apparatus, lies partially within and partially outside of the designated boundaries of a Unit, any portions thereof serving only that Unit shall be deemed a part of that Unit, while any portions thereof serving more than one Unit or any portion of the Common Elements shall be deemed a part of the Common Elements.

6. Common Elements.

(a) General Common Elements. The General Common Elements as shown on the Plat consist of the entire Condominium other than the Units and the Limited Common Elements, and include without limitation the following:

- (1) The Land;
- (2) All foundations, columns, girders, beams and supports of the Building not included as parts of Units or Limited Common Elements;
- (3) All exterior masonry walls and facings Building), the roof, and all partitions separating Units not included as parts of Units;
- (4) The courtyard, driveways and walkways and seating area and all other common hallways and areas, including without limitation the mailbox area (but exclusive of mailboxes) located in or serving the Building;
- (5) The stairwells;
- (6) All landscaped areas not included as parts of Limited Common Elements;

(7) All pumps, pipes, wires, cables, conduits and other apparatus relating to the water distribution, power, light, telephone, gas, sewer, heating, air conditioning and plumbing systems not included as parts of Units or Limited Common Elements; and

(8) All apparatus and installations existing or hereinafter constructed in the Building or on the Land for common use, or necessary or convenient to the existence, the common maintenance or safety of the Condominium.

(b) Limited Common Elements. The Limited Common Elements consist of those Common Elements which are described as such on the Plat, and on the Plans, and are reserved for the use of specific Units to the exclusion of all other Units. The Limited Common Elements include without limitation the following:

(1) Parking spaces (which are reserved for the exclusive use of the Unit owners who purchase them).

(2) Patios

(3) The flues, and intake combustion air ducts serving Units (which are reserved for the exclusive use of the Unit served by each such flue and air duct);

(4) Stairways which are reserved for the exclusive use of units adjacent to them;

(5) All mailboxes (each of which shall be reserved for the exclusive use of the Unit to which it is assigned.)

Any reassignment of the above designated Limited Common Elements under Section 42-1902.13 (b) of the Condominium Act is and shall be prohibited and any purported reassignment of any such Limited Common Element shall be void except for parking spaces which may be leased to any other owner, reassigned by the owner to any other unit owner or sold to a purchaser of the owner's unit. Each Unit Owner who is assigned a Limited Common Element parking space will pay its proportionate share of Common Expenses associated with such parking space(s) on a pro rata basis in proportion to the parking space(s) appurtenant to such unit in relation to the total number of parking spaces in the Condominium.

7. Units Subject to the Declaration, Bylaws, Rules and Regulations and Easements and Covenants. All present and future Unit Owners, tenants and occupants of Units shall be subject to and shall comply with the provisions of this Declaration, the Bylaws and, the Rules and Regulations as they may be amended from time to time. The acceptance of a deed of conveyance or the entering into of a lease or the entering into occupancy of any Unit shall constitute an agreement that



the provisions of this Declaration, the Bylaws and, the Rules and Regulations as they may be amended from time to time, are accepted and ratified by such Unit Owner, tenant or occupant, and all of such provisions shall be deemed and taken to be enforceable equitable servitudes and covenants running with the land and shall bind any person at any time having any interest or estate in such Unit as though such provisions were recited and stipulated at length in each and every such deed of conveyance or lease.

8. Easements. The Condominium shall be subject to the to all other covenants, limitations and restrictions of record, and to the following additional easements and conditions:

(a) Pipes, Ducts, Cables, Wires, Conduits, Public Utility Lines and Other Utility Distribution Systems. Each Unit owner shall have an easement in common with the Owners of all other Units to use all pipes, wires, ducts, cables, conduits, public utility lines and all other utility distribution systems, whether or not Common Elements, located in any of the other Units or in any other part of the Condominium, to the extent any such pipe, duct, cable, wire, conduit, public utility line or other utility distribution system serves any Unit or is necessary for service to any Unit.

(b) Support. Every portion of a Unit which contributes to the structural support of the Building, a Unit or the Common Elements shall be burdened with an easement of lateral and adjacent structural support and necessity for the benefit of all other Units and the Common Elements.

(c) Ingress and Egress Through and Use of General Common Elements. Each Unit Owner shall have an easement in common with the Owners of all other Units for ingress and egress through, and use and enjoyment of, all General Common Elements. The General Common Elements shall lie subject to easements of use and enjoyment and ingress and egress by all persons lawfully using or entitled to the same, including without limitation officers, employees and agents of public utility companies in the performance of their duties.

(d) Utility Lines. The Declarants expressly reserve the alienable right with respect to the Condominium to grant public and private utility easements and to lay water, sanitary and storm sewer, electricity, telephone and cable television lines through, on, over or under any portion of the Condominium.

(e) Easement to Facilitate Sales. The Declarants and their duly authorized agents, representatives and employees shall have the right, exercisable in Declarants' sole discretion, to use as management offices and/or sales and/or rental offices and/or model units any and all unsold Unit or Units and any Units leased by the Declarants from Unit Owners who may agree to lease their Units to the Declarant for such use(s). Such Units shall be Units within the meaning of this

Declaration and the Condominium Act, and shall not comprise a part of the Common Elements. The Declarants shall have the absolute right for themselves, their successors and their invitees and prospective purchasers, to use and enter, without being subject to any charge or fee therefor, any and all such Units and the Common Elements, including the parking area, for management, sales and/or rental purposes and/or for any other lawful purpose or purposes, including placing thereon "for sale" or "for rent" signs and other promotional materials.

(f) Encroachments. If any portion of the Common Elements encroaches upon any Unit, or if any Unit encroaches upon any other Unit or upon any portion of the Common Elements as a result of the construction, settling or shifting of the Land or the Building or other improvement, or if any such encroachment shall occur after the recordation of this Declaration as a result of the construction, repair, renovation, restoration or replacement of the Building or other improvement, or as a result of the settling or shifting of the Building or other improvement, a valid easement for such encroachment and for the maintenance of the same shall exist so long as the Building or other improvement shall stand.

9. Relocation of Unit Boundaries and Subdivision of Units. Subject to the provisions of the Section of this Declaration captioned "Consent of Mortgagees," any Unit may be subdivided or the boundaries thereof relocated if such action shall have been approved in writing by all affected Unit owners, all Mortgagees of the Units involved and the Board of Directors. The foregoing shall not be applicable with respect to Unit subdivisions or boundary relocations made by the Declarants. An Amendment to this Declaration to effect any Unit subdivision or boundary relocation shall be recorded by the secretary of the Unit Owners' Association as provided in Section 42-1902.25 or Section 42-1902.26 of the Condominium Act. The provisions of this Section do not apply to alterations allowed by Section 42-1902.24(b) of the Condominium Act or by the provisions of the Bylaws.

10. Right to Lease or Sell Units. The Declarants shall retain title to each Unit not conveyed to any purchaser. The Declarants retain the right to enter into leases with any third parties for the occupancy of any of the Units so retained by Declarants and not so conveyed to any purchaser, or to lease back and sublease any Unit so conveyed.

11. Amendment to Declaration. Except as otherwise provided in this Declaration, this Declaration may be amended by the agreement of Owners of Units to which at least sixty-seven percent (67%) of the votes in the Unit Owners' Association appertain and in the manner provided by Section 42-1902.27 and 42-1902.28 of the Condominium Act. No such amendment shall be effective until recorded in accordance with the provisions of the Condominium Act. Anything herein to the contrary notwithstanding, and subject to any limitations imposed by the Condominium Act (with specific reference to Section 42-1903.02 thereof), and except as required to comply with the requirements of the Federal Home Loan

Mortgage Corporation, the Federal National Mortgage Association, the Veterans' Administration or any other governmental or quasigovernmental agency insuring or involved in the making or purchasing of Mortgages of any Unit,

(i) so long as the Declarants are the only Unit Owner, the Declarants may amend this Declaration without the consent or approval of any party;

(ii) so long as the Declarants own one or more Units, no amendment to this Declaration shall be adopted that could unreasonably interfere with the sale, lease or other disposition of such Unit(s) or that could abridge, modify, eliminate or otherwise affect any right, power, easement, privilege or benefit reserved to the Declarant hereunder or which would impose any discriminatory charge or fee against the Declarants; and

(iii) no amendment to this Declaration shall be adopted that would abridge, modify, eliminate or otherwise affect any right, power, easement, privilege or benefit reserved by the provisions of this Declaration to Mortgagees.

12. No Revocation or Partition. The Common Elements shall remain undivided and no Unit Owner or any other person shall bring or have the right to bring any action for partition or division thereof, nor shall the Common Elements be abandoned by act or omission, unless, subject to the provisions of the Section of this Declaration captioned "Consent of Mortgagees", the condominium regime is waived and terminated by agreement of Unit Owners owning Units to which at least four-fifths of the votes in the Unit Owners' Association appertain.

13. No Merger. In accordance with the Title 38, Section 36.4300 series of the Code of Federal Regulations, the condominium regime may not be amended or merged with a successor condominium regime without the prior written approval of the Administrator of Veterans Affairs of the Veterans' Administration.

14. Consent of Mortgagees.

(a) Federal Home Loan Mortgage Corporation compliance. Subject to the provisions of paragraphs (b) and (c) of this Section, in accordance with Section 42.3(d) of Chapter 42 of the Sellers' and Servicers' Guide of the Federal Home Loan Mortgage Corporation in effect as of the date of recordation of this Declaration, unless at least sixty-seven percent (67%) of the Mortgagees (based upon one vote for each Mortgage owned) or sixty-seven percent (67%) of Unit owners other than the Declarants have given their prior written consent, the Unit Owners' Association and Board of Directors shall not be entitled to:

(i) By act or omission, seek to abandon or terminate the condominium regime;

(ii) Change the pro rata interest or obligations of any Unit for the purpose of (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each Unit in the Common Elements;

(iii) Except for partitions or subdivisions made by the Declarant, partition or subdivide any unit;

(iv) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (the granting of easements for public utilities or other public purposes consistent with the intended use of the Common Elements by the Condominium shall not be deemed a transfer within the meaning of this clause); or

(v) Use hazard insurance proceeds for losses to any property of the Condominium (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such property.

(b) Federal National Mortgage Association Compliance. Subject to the provisions of paragraphs (a) and (c) of this Section, in accordance with Section 601.03 of Chapter 6 of Part VIII of the Selling Guide of the Federal National Mortgage Association in effect as of the date of recordation of this Declaration, unless at least fifty-one percent (51%) of "Eligible Mortgagees" (as the term "Eligible Mortgagee" is defined below) have given their prior written consent, no amendment to this Declaration, the Bylaws or the Rules and Regulations shall be adopted that would affect any provision thereof relating to any of the following matters:

(i) Voting rights;

(ii) Assessments, liens for assessments or subordination of assessment liens;

(iii) Reserves for maintenance, repair and replacement of Common Elements;

(iv) Responsibility for maintenance and repair of the Units and the Common Elements;

(v) The reallocation of Percentage Interests or Limited Common Elements, or rights related to the use of the Common Elements;

(vi) The boundaries of any Unit;

(vii) The convertibility of Units into Common Elements, or visa versa;

- (viii) Any expansion or contraction of the Condominium, or any addition, annexation or withdrawal of property to, or from the Condominium;
- (ix) Insurance or fidelity bonds;
- (x) Leasing of Units;
- (xi) The imposition of any restrictions on the right of any Unit Owner to sell or transfer his or her Unit;
- (xii) Self management;
- (xiii) The repair or reconstruction of all or any part of the Condominium as a result of fire or other casualty or partial condemnation;
- (xiv) The termination of the Condominium regime;

or

- (xv) Any benefit expressly reserved to Mortgagees, or any governmental or quasi-governmental agency insuring or guaranteeing or involved in the making or purchase of Mortgages.

As used in this paragraph (b), the term "Eligible Mortgagee" means any Mortgagee requesting the Unit Owners' Association to notify such Mortgagee of any proposed action under the provisions of Section 601.03 of Chapter 6 of Part VIII of the Selling Guide of the Federal National Mortgage Association, as amended from time to time, requiring the prior written consent of a specified percentage of eligible mortgage holders.

(c) Application and Effect. The provisions of this Section 14 shall supercede any inconsistent provision or provisions of this Declaration, the Bylaws or the Rules and Regulations, but shall not be deemed to limit or expand the following:

- (i) The amendment provisions of Section 11 of this Declaration and Section 1 of Article XII of the Bylaws;
- (ii) The right granted to the Declarants in Section 9 of this Declaration to subdivide or relocate the boundaries of Units; or
- (iii) The rights of any Unit Owner and his or her Mortgagee with respect to matters particularly affecting such Unit Owner's Unit and/or Mortgage.

15. Priority of First Mortgagees. Except as otherwise provided by the Condominium Act, no provision of this Declaration, the Bylaws, or the Rules and

Regulations, shall be construed to grant to any Unit Owner, or to any other party, any priority over any rights of Mortgagees pursuant to their Mortgages in the case of the distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of Units and/or the Common Elements or any portions thereof.

16. Waiver. No provision contained in this Declaration shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

17. Severability. The invalidity or unenforceability of any provision of this Declaration shall not be deemed to impair or affect in any manner the validity, enforceability or effect of the remainder of this Declaration, and in such event, all of the other provisions of this Declaration shall continue in full force and effect as if such invalid or unenforceable provision had never been included herein. Any conflict between any provision of any condominium document and the Condominium Act, or any questions regarding the interpretation of any condominium document, shall be governed by the Condominium Act.

IN WITNESS WHEREOF, THE DECLARANT, TWELFTH & N STREET, LLC, has caused its name to be signed by its members (i) BARRETT M. LINDE BUILDERS, INC., which has caused its name to be signed by Barrett M. Linde, its President, and its corporate seal to be hereunto; attested by Barbara Wilkerson, its Secretary, and has appointed and does hereby appoint said Barrett M. Linde its attorney-in-fact to execute, acknowledge and deliver these presents in its behalf; and (ii) Steven B. Gewirz and Michael K. Gewirz, who have executed the foregoing Declaration, all done the 7<sup>th</sup> day of August, 2002.

TWELFTH & N STREET, LLC, a District of Columbia limited liability company

ATTEST:

By: BARRETT M. LINDE BUILDERS, INC., a member

By: Barbara Wilkerson  
Name: Barbara Wilkerson  
Title: Secretary

By: Barrett M. Linde  
Name: Barrett M. Linde  
Title: President



By: Steven B. Gewirz  
Steven B. Gewirz, a member

By: Michael K. Gewirz  
Michael K. Gewirz, a member

STATE OF Maryland )  
 )  
COUNTY OF Calvert ) ss.

I, Barbara Wilkerson, a notary public in and for the State of Maryland, do hereby certify that Barrett M. Linde, who is named as attorney-in-fact for BARRETT M. LINDE BUILDERS, INC. the corporate party, in the foregoing and attached Bylaws bearing date on the 7<sup>th</sup> day of August, 2002, personally appeared before me in said State of Maryland, the said Barrett M. Linde being personally well known to me as the person named as attorney-in-fact in said Declaration for the said BARRETT M. LINDE BUILDERS, INC. and acknowledged said Declaration to be the act and deed of said corporation, and that he delivered the same as such.

Given under my hand and official seal this 7<sup>th</sup> day of August, 2002.

Barbara A. Wilkerson  
Notary Public

My commission expires: 11/1/04

[SEAL]



STATE OF Maryland )  
COUNTY OF Calvert ) ss.

This Instrument was acknowledged before me on 8/7 2002 by Steven B. Gewirz.

GIVEN under my hand and official seal this 7<sup>th</sup> day of August, 2002.

Barbara A. Wilkerson  
Notary Public

My commission expires: 11/1/04



STATE OF Maryland )  
COUNTY OF Calvert ) ss.

This Instrument was acknowledged before me on 8/7 2002 by Michael K. Gewirz.

GIVEN under my hand and official seal this 7<sup>th</sup> day of  
August, 2002.

Barbara A. Walkerson  
Notary Public

My commission expires: 11/1/04



Joinder of Trustees

The undersigned, Trustee under that certain Deed of Trust and Security Agreement ("Deed of Trust") from Twelfth & N Street, LLC, a District of Columbia limited liability company, to TRSTE, Inc., a Virginia corporation, trustee, dated as of June 26, 2002 and recorded July 1, 2002 as Instrument No. 2002076606 among the Land Records of the District of Columbia securing Wachovia Bank, National Association in the total amount of Two Million Dollars (\$2,000,000), hereby joins in the execution and delivery of the foregoing and annexed Merger of Condominiums and Amendment and Restated of Declaration of Condominium of Downtown I and II, A Condominium (the "Amended Declaration"), for the purpose of subordinating the lien of the Deed of Trust to the Amended Declaration.

ATTEST:

TRSTE, INC.,  
A Virginia Corporation

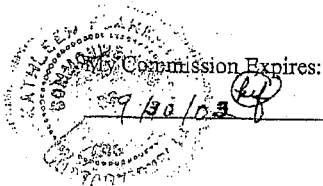
Gerald Steins  
Name: GERALD STEINS  
Assistant Secretary

By: William A. Richardson (SEAL)  
William A. Richardson,  
Vice President

STATE OF VIRGINIA     )  
                                  )  
COUNTY OF FAIRFAX    )     ss.

I HEREBY CERTIFY that on this 17th day of September, 2002, before me, the subscriber, a Notary Public of the jurisdiction aforesaid, personally appeared William A. Richardson, and acknowledged himself to be a Vice President of TRSTE, INC., a Virginia corporation, and acknowledged that he, being authorized so to do, executed the foregoing document in the aforesaid capacity for the purposes therein contained.

IN WITNESS MY Hand and Notarial Seal.



Kathleen Fleck (SEAL)  
NOTARY PUBLIC

EXHIBIT A

DOWNTOWN I, and II, A CONDOMINIUM

(Washington, District of Columbia)

Units, Par Value and Percentage Interests

<u>Unit No.</u>	<u>Par Value</u>	<u>Percentage Interest</u>
<u>Downtown I</u>		
1201A	2.55	2.55%
1201B	1.88	1.88
1201C	2.55	2.55
1201D	1.88	1.88
1201E	1.88	1.88
1201F	1.88	1.88
1201G	1.88	1.88
1201H	1.88	1.88
1203A	2.55	2.55
1203B	1.88	1.88
1203C	2.55	2.55
1203D	1.88	1.88
1203E	1.88	1.88
1203F	1.88	1.88
1203G	1.88	1.88
1203H	1.88	1.88
1205A	2.55	2.55
12058	1.88	1.88
1205C	2.55	2.55
1205D	1.88	1.88
1205E	1.88	1.88
1205F	1.88	1.88
1205G	1.88	1.88
1205H	1.88	1.88
1207A	2.55	2.55
1207B	1.88	1.88
1207C	2.55	2.55
1207D	1.88	1.88
1207E	1.88	1.88
1207F	1.88	1.88

<u>Unit No.</u>	<u>Par Value</u>	<u>Percentage Interest</u>
1207G	1.88	1.88
1207H	1.88	1.88
1306A	1.88	1.88
1306B	1.88	1.88
1306C	1.88	1.88
1306D	1.88	1.88
1308A	1.88	1.88
13088	1.88	1.88
1308C	1.88	1.88
1308D	1.88	1.88
<u>Downtown II</u>		
1225A	2.52	2.52
1225B	1.88	1.88
1225C	1.88	1.88
1225D	1.88	1.88
1225E	1.88	1.88
1225F	1.88	1.88
1227A	1.88	1.88
1227B	1.88	1.88
1227C	1.88	1.88
1227D	1.88	1.88
	<hr/> 100.00	<hr/> 100.00%

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Filed & Recorded

09/19/2002 10:45:18 AM

HENRY RILEY

RECORDER OF DEEDS

WASHINGTON D.C. RECORDER OF DEEDS

RECORDING \$ 100.00

SURCHARGE \$ 5.00

# BY-LAWS

AMENDED AND RESTATED BYLAWS  
OF  
DOWNTOWN I AND II, A CONDOMINIUM

THESE AMENDED AND RESTATED BYLAWS are made as of August 7, 2002 by Twelfth & N Street, LLC, a District of Columbia limited liability company, the Declarant.

ARTICLE I

Plan of Unit Ownership

Section 1. Submission to Condominium Regime. Certain land, buildings and improvements located in the District of Columbia, said land being known as Lot 30, Square 280, have been submitted to the provisions of Title 45, Chapter 18 of the District of Columbia Code (1981 Edition, as amended) by (i) a Declaration dated February 2, 1989 recorded June 28, 1989 as Instrument No. 37816 among the Land Records of the District of Columbia, (ii) Bylaws dated February 2, 1989 and recorded June 28, 1989 as Instrument No. 37817 among said Land Records and (iii) plats and plans recorded in Condominium Book 38, Page 23 in the Office of the Surveyor of the District of Columbia to create a condominium known as Downtown I, a Condominium. Certain land, buildings and improvements located in the District of Columbia, said Land being known as Lot 31, Square 280 have been submitted to the provisions of Title 45, Chapter 18 of the District of Columbia Code (1981 ed., as amended) by (i) a Declaration dated February 28, 1989, recorded June 28, 1989 and is Instrument No. 3718 among said Land Records, (ii) Bylaws dated February 2, 1989 recorded June 28, 1989 as Instrument No. 37819 among said Land Records and (iii) plats and plans recorded in Condominium Book 38, Page 24 in the Office of the Surveyor, District of Columbia to create Downtown II, a Condominium. By Merger of Condominium and Amendment and Restatement of Declaration of Condominium recorded in Land Records immediately prior hereto, Declarant has merged Downtown I, a Condominium and Downtown II, a Condominium into a singled condominium to be known as Downtown I and II, a Condominium pursuant to the provisions of Title 42, Chapter 19 of the District of Columbia Code (2001 ed., as amended) (the "Declaration"). The Declarant is recording these Amended and Restated Bylaws for the purpose of amending and restating the Bylaws referred to above as the Bylaws of the merged condominiums known as Downtown I and II, a Condominium. These Amended and Restated Bylaws are hereinafter referred to as the "Bylaws".

Section 2. Definitions. Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Declaration or, if not defined therein, the meanings specified for such terms in Section 42-1901.02 of the Condominium Act.

AFTER RECORDING RETURN TO:  
Holland & Knight LLP  
2099 Pennsylvania Avenue, N.W.  
Washington, D.C. 20006  
Attn: Steven L. Dube, Esquire



Section 3. Applicability of Bylaws. The provisions of these Bylaws are applicable to the use and occupancy of the Condominium and the structure and operation of the Unit Owners' Association. All present and future Unit Owners, Mortgagees, lessees and occupants of Units and any other persons who may use the facilities of the Condominium in any manner are subject to these Bylaws, the Declaration, and the Rules and Regulations as any of the same may be amended from time to time.

Section 4. Office. The office of the Condominium, the Unit Owners' Association and the Board of Directors shall be located at the Condominium or at such other place as may be designated from time to time by the Board of Directors.

## ARTICLE II

### Unit Owners' Association

Section 1. Composition. All Unit Owners in the Condominium, acting as a group in accordance with the Condominium Act, the Declaration, and these Bylaws, shall constitute the Unit Owners' Association. The Unit Owners' Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting the assessments for Common Expenses, arranging for the management of the Condominium, and performing all of the other acts that may be performed by the Unit Owners' Association pursuant to the Condominium Act, the Declaration, and these Bylaws. The Unit Owners' Association shall not be incorporated.

### Section 2. Annual Meetings.

(a) The first annual meeting of the Unit Owners' Association shall be held on a date to be determined by the Declarant within two (2) years following the date of recordation of the Declaration, or on or before the date of conveyance of Units to which seventy-five percent (75%) of the Percentage Interests in the Condominium appertain, whichever first occurs. Annual meetings of the Unit Owners' Association held after the first annual meeting shall be held on the same day of the same month of each succeeding year, unless such date shall occur on a Saturday, Sunday or legal holiday, in which event the meeting shall be held on the next succeeding Monday which is not a legal holiday. Subject to the provisions of Section 2 of Article III of these Bylaws, at all annual meetings of the Unit Owners' Association, members of the Board of Directors shall be elected and such other business as may properly come before a meeting may be transacted.

(b) As used in these Bylaws, unless the context otherwise requires, "conveyance" means conveyance of fee simple title by deed.

Section 3. Place of Meetings. Meetings of the Unit Owners' Association shall be held at the office of the Condominium or at such other suitable

place convenient to Unit Owners as from time to time may be designated by the Board of Directors.

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Unit Owners' Association if so directed by resolution of the Board of Directors or, after the first annual meeting of the Unit Owners' Association, upon a petition signed and presented to the Secretary by Unit Owners holding not less than twenty-five percent (25%) of the Percentage Interests in the Condominium. No business shall be transacted at a special meeting except as stated in the notice of such meeting given in accordance with the provisions of Section 5 of this Article.

Section 5. Notice of Meetings. At least twenty-one (21) days in advance of each annual meeting of the Unit Owners' Association, and at least seven (7) days in advance of each special meeting of the Unit Owners' Association, the Secretary shall cause to be sent to each Unit Owner of record notice of the time, place and purpose or purposes of such meeting. Such notice shall be sent by United States mail, first class postage prepaid, to each Unit Owner of record, at the address of such owner's Unit and at such other address as such owner shall have designated in writing to the Secretary. The mailing of a notice of a meeting in the manner provided in this Section shall be deemed service of notice. In lieu of mailing notice of a meeting in the manner provided in this Section, the Secretary may cause such notice to be personally delivered, provided, that the Secretary shall obtain a receipt of acceptance of such notice from the Unit Owner.

Section 6. Presiding Officer. Until the first meeting of the Unit Owners' Association following the special meeting at which all members of the Board of Directors shall be elected by all Unit Owners as provided in section 2 of Article III of these Bylaws, any person designated by the Declarant shall preside at all meetings of the Unit Owners' Association. Thereafter, the President or his or her designee shall preside at all meetings of the Unit Owners' Association. In the absence of the President or such designee from any meeting of the Association, any person designated by the Board of Directors shall preside over such meeting.

Section 7. Conduct of Meeting. The minutes of all meetings shall be held in a Minute Book maintained for the Unit Owners' Association by the Secretary. The then current Robert's Rules of order or any other rules of procedure acceptable to a majority of the votes of Unit Owners shall govern the conduct of all meetings of the Unit Owners' Association when not in conflict with these Bylaws, the Declaration or the Condominium Act. All votes shall be tallied by a person or persons appointed by the presiding officer of the meeting.

Section 8. Inspectors of Election. One or more Inspector(s) of Election shall be appointed by the Board of Directors prior to the time of any meeting of the Association at which Directors shall be elected.

Section 9. Voting.

(a) The vote to which each Unit shall be entitled at all meetings of the Unit Owners' Association shall be the Percentage Interest of such Unit. Since a Unit Owner may be more than one person, the person who shall be entitled to cast the vote of such Unit shall be the natural person named in a certificate executed by all of the owners of such Unit and filed with the Secretary or, in the absence of such named person from the meeting (or the failure to name such a person), the person who shall be entitled to cast the vote of such Unit shall be the co-owner who is present at such meeting, if only one such person is present. If more than one such person are present and no certificate has been filed with the Secretary (or, if the person named in the certificate for such Unit is not present), the vote appertaining to such Unit shall be cast in accordance with the *unanimous* agreement of the persons so present, and the consent of such persons shall be conclusively presumed if any one of them purports to cast the vote appertaining to such Unit without protest being made to the presiding officer of the meeting. If protest is made, such Unit shall be counted solely for the purpose of determining whether a quorum is present. Since a "person" need not be a natural person, the word "person" shall be deemed to include any natural persons having authority to execute deeds on behalf of any person, excluding natural persons, which is, either along or in conjunction with another person or persons, a Unit Owner.

(b) No Unit Owner may vote at any meeting of the Unit Owners' Association if a lien in favor of the Unit Owners' Association pursuant to Section 9 of Article V of these Bylaws has been perfected against such owner's Unit, or action therefor has been instituted, and the amount necessary to release such lien has not been paid at the time of such meeting.

Section 10. Proxies. The vote appertaining to any Unit may be cast pursuant to a proxy duly executed by or on behalf of the Unit owner, or, in cases where the Unit Owner is more than one person, by or on behalf of all such persons. No proxy shall be revocable except by actual notice of revocation given to the presiding officer of the meeting by the Unit Owner, or, in cases where the Unit Owner is more than one person; by or on behalf of any *such* persons. A proxy of a Unit Owner shall be void if it is not dated, if it purports to be revocable without notice, or if not signed by a person having authority to execute deeds on behalf of any Unit Owner or co-owner who is not a natural person. Any proxy shall terminate automatically upon the adjournment of the first meeting held on or after the date of that proxy. All proxies must be filed with the Secretary before the appointed time of the meeting for which they are given. Except with respect to proxies in favor of a Mortgagee or a lessee, no proxy shall be valid for a period in excess of one hundred eighty (180) days after execution thereof.

Section 11. Association Action. Except as otherwise required by the Condominium Act, the Declaration or these Bylaws, decisions of the Unit Owners' Association shall be made by a majority of the votes of Unit Owners present.

Section 12. Majority of the Unit Owners. Except as otherwise required by law, as used in these Bylaws, the term "majority of the votes of Unit Owners" or words of like import shall mean the vote of Unit Owners' (i) holding more than fifty percent (50%) of the votes of Unit Owners present, in person or by proxy, at a meeting of the Unit Owners' Association at which a quorum is present and (ii) owning more than twenty-five percent (25%) of the Units in the Condominium.

Section 13. Quorum. Except as otherwise provided in these Bylaws or as required by law, the presence, in person or by proxy, of Unit Owners holding fifty percent (50%) of the outstanding votes in the Unit Owners' Association shall constitute a quorum at and throughout all meetings of the Unit Owners' Association.

Section 14. Adjournment of Meetings. If any meetings of the Unit Owners' Association cannot be held because a quorum is not represented, owners holding a majority of the votes present at such meeting, either in person or by proxy, may adjourn the meeting, without further notice, to a time not less than forty-eight (48) hours from the time the original meeting was called and, except as otherwise required by law, the presence, in person or by proxy, of Unit Owners' holding forty percent (40%) of the outstanding votes in the Association shall constitute a quorum at and throughout such reconvened meeting.

### ARTICLE III

#### Board of Directors

Section 1. Number. The Board of Directors shall be composed of three (3) members.

Section 2. Declarant Designations; Election.

(a) Until the special meeting of the Unit Owners' Association provided for under paragraph (b) of this Section, the Declarant shall designate the three (3) members of the Board of Directors.

(b) Subject to the provisions of paragraph (d) of this Section, at the time units representing twenty-five percent (25%) of the Percentage Interests in the Condominium shall have been conveyed by the Declarant, a special meeting of the Unit Owners' Association shall be held, the Board of Directors shall be increased to four (4) members and one (1) member of the Board of Directors shall be elected by the affirmative vote of more than fifty percent (50%) of the outstanding

votes of all Unit Owners other than the Declarant. The member so elected by such Unit Owners shall serve until the special meeting of the Unit Owners' Association provided for under paragraph (d) of this Section.

(c) Subject to the provisions of paragraph (d) of this Section, at the time Units representing fifty percent (50%) of the Percentage Interests in the Condominium shall have been conveyed by the Declarant, a special meeting of the Unit Owners' Association shall be held, the Board of Directors shall be increased to five (5) members and one (1) member of the Board of Directors shall be elected by the affirmative vote of more than fifty percent (50%) of the outstanding votes of all Unit owners other than the Declarant. The member so elected by such Unit Owners shall serve until the special meeting of the Unit Owners' Association provided for under paragraph (d) of this Section.

(d) At the earlier to occur of the time Units representing seventy-five percent (75%) of the Percentage Interests in the *Condominium* shall have been conveyed by the Declarant or the date of expiration of two (2) years from the date the first Unit in the Condominium shall have been conveyed by the Declarant, a special meeting of the Unit Owners' Association shall be held, the Board of Directors shall be reduced three (3) members and all members of the Board of Directors (consisting of the three (3) members designated by the Declarant, as provided in paragraph (a) of this Section, and the two (2) members elected by Unit Owners other than the Declarant, as provided in paragraphs (b) and (c) of this Section) shall resign and all three (3) members of the Board of Directors shall be elected by all Unit Owners, including the Declarant, to the extent the Declarant then owns any Units. Each person receiving the first, and second and highest number of votes shall be elected for a term of two (2) years and the person receiving the third highest number of votes shall be elected for a term of one (1) year, in each case, plus the number of days remaining between the date of such special meeting and the date of the next succeeding annual meeting of the Unit Owners' Association. All members of the Board of Directors elected at such special meeting shall serve until their successors shall have been elected at the next succeeding annual meeting at which members of the Board of Directors shall be elected.

(e) Except for members designated by the Declarant or elected in accordance with the provisions of paragraphs (b) or (c) of this Section, or Sections 7 or 9 of this Article, members of the Board of Directors shall be elected by plurality vote. Each Unit owner shall be entitled to cast the vote appertaining to such Unit Owner's Unit for as many persons as there are Directors to be elected and for whose election such Owner shall be entitled to vote. Votes shall not be cumulated.

Section 3. Term of Office. All persons elected as members of the Board of Directors at any annual meeting of the Unit Owners' Association following

the special meeting provided for under paragraph (d) of Section 2 of this Article shall be elected for a term of two (2) years. All members of the Board of Directors shall hold office until their respective successors shall have been elected and shall have qualified.

Section 4. Qualifications. Except for members of the Board of Directors designated by the Declarant, all members of the Board of Directors shall be Unit Owners (or partners, officers, directors, trustees, agents or employees of Unit owners who are not natural persons). No Unit Owner may be elected to or may serve on the Board of Directors if a lien has been perfected, or action, therefor has been instituted, against such Owner's Unit and the amount necessary to release such lien has not been paid at the time of such election or during such incumbency.

Section 5. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Condominium and may do all acts and things as are by Section 45-1848 of the Condominium Act, the Declaration or these Bylaws directed or authorized to be done by the Unit Owners' Association. In addition to the duties imposed on the Board of Directors by these Bylaws or by any resolution of the Unit Owners' Association, the Board of Directors shall have the power to, and shall be responsible for, the following:

- (a) Adopting an annual budget, in which there shall be established the required contribution of each Unit Owner to the Common Expenses.
- (b) Levying assessments against Unit Owners to defray the Common Expenses, establishing the means and methods of collecting such assessments from the Unit Owners, and establishing the period of the installment payment of such assessments.
- (c) Providing for the operation, care, upkeep, replacement, and maintenance of all of the Common Elements. The Board of Directors expressly is authorized to enter into cooperative, cost sharing agreements with the owners of neighboring properties, if in the judgment of the Board of Directors such arrangements will reduce Condominium costs without adversely affecting the scope, level and quality of services necessary for the proper care, upkeep and operation of the Condominium.
- (d) Designating, hiring and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements, and providing services for the Condominium, and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties, which equipment, supplies and materials shall be the property of the Condominium.

- (e) Collecting from Owners assessments against Units and depositing the proceeds thereof in a bank depository(ies) which it shall approve.
- (f) Making and amending Rules and Regulations respecting the use and enjoyment of the Condominium in accordance with the provisions of these Bylaws.
- (g) Opening bank accounts on behalf of the Condominium and designating the signatories required therefor.
- (h) Making, or contracting for the making of, repairs, additions and improvements to, or alterations or restorations of the Condominium in accordance with the provisions of these Bylaws, the Declaration and the Condominium Act.
- (i) Enforcing by legal means the provisions of the Declaration, these Bylaws and the Rules and Regulations, and bringing or defending against any proceedings which may be instituted on behalf of or against the Unit Owners' Association.
- (j) Obtaining and carrying insurance as provided in these Bylaws, paying the premium cost thereof and adjusting and settling claims thereunder.
- (k) Paying the cost of all services rendered to the Condominium and not billed to Unit Owners of individual Units.
- (l) Keeping books and accounts in accordance with the provisions of these Bylaws.
- (m) Borrowing money on behalf of the Condominium when required in connection with the operation, care, upkeep and maintenance of the Common Elements; provided, however, that at no time shall there be borrowed or owed in excess of three percent (3%) of the total annual assessment for Common Expenses for that fiscal year without the prior approval of at least sixty-seven percent (67%) of the votes of Unit Owners present, in person or by proxy, at a meeting of the Unit Owners' Association duly called and held for such purpose, and at which a quorum is present.
- (n) Do such other things and acts not inconsistent with the Condominium Act, the Declaration or these By-Laws which the Board of Directors may be authorized to do by a resolution of the Unit Owners' Association.

Section 6. Managing Agent. The Board of Directors shall employ for the Condominium a professional Managing Agent at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors

shall authorize. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by these Bylaws other than the powers set forth in paragraphs (a), (b), (f), (g) and (m) of Section 5 of this Article. The Board of Directors shall delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the Managing Agent which might arise between meetings of the Board of Directors. The Unit Owners' Association and the Board of Directors shall not undertake "self-management" or fail to employ a professional Managing Agent. The Declarant, or an affiliate of the Declarant, may be employed as Managing Agent. Prior to the special meeting of the Unit Owners' Association at which all members of the Board of Directors shall be elected by all Unit Owners as provided in Section 2 of Article III of these Bylaws, the Board of Directors may not employ a Managing Agent for a term in excess of one (1) year. Any contract with a Managing Agent must provide that it may be terminated by the Unit Owners' Association, for cause, on no more than thirty (30) days' written notice and, without cause or imposition of any termination fee, on no more than sixty (60) days' written notice. The Board of Directors shall impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Board of Directors:

- (a) the accrual method of accounting shall be employed and expenses required by these Bylaws to be charged to more than one but less than all Unit Owners shall be accounted for and reported separately;
- (b) two or more persons shall be responsible for handling cash to maintain adequate financial control procedures;
- (c) cash accounts of the Unit Owners' Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the Managing Agent from vendors, independent contractors or others providing goods or services to the Unit Owners' Association whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;
- (e) any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Unit Owners' Association shall be disclosed promptly to the Board of Directors; and
- (f) a monthly financial report shall be prepared for the Unit Owners' Association.

Section 7. Removal of Members of the Board of Directors. Until the special meeting of the Unit Owners' Association at which all of the members of the Board of Directors shall be elected by all Unit Owners as provided in Section 2 of this Article, (i) the Declarant shall have the right, in its sole discretion, to remove, with or without cause, any member of the Board of Directors designated by the



Declarant and to designate his or her successor, and (ii) any member of the Board of Directors elected by Unit Owners other than the Declarant may be removed, with or without cause, by the affirmative vote of more than fifty percent (50%) of the outstanding votes of all Unit owners other than the Declarant, and his or her successor shall be elected solely by such Unit owners upon like vote. Thereafter, any member of the Board of Directors may be removed, with or without cause, by a majority of the votes of the Unit Owners at any regular meeting or any special meeting duly called and held for such purpose, and a successor may then and there be elected upon like vote. Any successor member of the Board of Directors shall serve for the remainder of the term of the member so removed. Any member of the Board of Directors whose removal has been proposed by the Unit Owners shall be given at least seven (7) days' notice of the calling of the meeting and the purpose thereof, and shall be given an opportunity to be heard at the meeting.

Section 8. Resignations of Members of the Board of Directors. A member of the Board of Directors may resign at any time. Any member of the Board of Directors who is a Unit Owner shall be deemed to have resigned upon divestiture of title in fee.

Section 9. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a member of the Board of Directors (which shall be filled as provided in Section 7 of this Article) shall be filled by the sole remaining member of the Board of Directors or by a vote of a majority of the remaining members of the Board of Directors (whether or not such remaining members constitute a quorum) at a special meeting of the Board of Directors held for such purpose promptly after the occurrence of any such vacancy, and each person so elected shall be a member of the Board of Directors until a successor shall be elected at the next annual meeting of the Unit Owners' Association for the remainder of the term created by such vacancy; provided, however, that until the special meeting of the Unit Owners' Association at which all of the members of the Board of Directors shall be elected by all Unit Owners as provided in Section 2 of this Article, the vacancy in the position of any member of the Board of Directors designated by the Declarant shall be filled by the Declarant, and the vacancy in the position of any member of the Board of Directors elected by Unit owners other than the Declarant shall be filled by the affirmative vote of more than fifty percent (50%) of the outstanding votes of all Unit Owners other than the Declarant.

Section 10. Organization Meeting. A special organization meeting of the Board of Directors shall be held within ten (10) days after each annual meeting of the Unit Owners' Association. No notice shall be necessary to the members of the Board of Directors in order legally to constitute such special meeting, provided a quorum shall be present thereat.

Section 11. Regular Meetings. Regular meetings of the Board of Directors shall be held at least twice between annual meetings of the Unit Owners'

Association, at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors. Notice of regular meetings of the Board of Directors shall be given to each of its members, by mail, telex or telegraph at least ten (10) business days prior to the date scheduled for such meeting.

Section 12. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days' notice given to each member of the Board of Directors, by mail, telex or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice upon the written request of at least two (2) members of the Board of Directors.

Section 13. Waiver of Notice. Any member of the Board of Directors at any time in writing may waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board of Directors shall constitute a waiver of notice by such member of the time and place of such meeting, unless such attendance is for the purpose of objecting to such meeting. If all members of the Board of Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 14. Quorum; Voting of Board of Directors. At all meetings of the Board of Directors, a majority of the members of the Board of Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the members present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the members present or a sole present member may adjourn the meeting from time to time. At any such reconvened meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 15. Compensation. No member of the Board of Directors shall receive any compensation for acting as a director.

Section 16. Conduct of Meetings. All resolutions adopted by the Board of Directors and all transactions and proceedings occurring at all meetings of the Board of Directors shall be held in a Minute Book maintained for the Board of Directors by the Secretary. The then current Robert's Rules of Order or any other rules of procedure at any time or from time to time acceptable to a majority of the members of the Board of Directors shall govern the conduct of the meetings of the

Board of Directors when not in conflict with the Declaration, these Bylaws or the Condominium Act.

Section 17. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors shall consent in writing to such action. Any such unanimous written consent shall be filed with the minutes of the proceedings of the Board of Directors.

Section 18. Board of Directors as Attorney-in-Fact. The Board of Directors is hereby irrevocably appointed as agent and attorney-in-fact for the Unit Owners of all of the Units and for each of them, to manage, control and deal with the interests of such Unit Owners in the Common Elements of the Condominium and to permit the Board of Directors to fulfill all of its powers, rights, functions and duties. The Board of Directors is hereby irrevocably appointed as agent and attorney-in-fact for each Unit owner, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Land and Building to: (i) adjust and settle all claims arising under insurance policies purchased by the Board of Directors, (ii) execute and deliver releases upon the payment of claims and (iii) act on their behalf in any condemnation proceeding or action of eminent domain; provided, however, that the consent of a Mortgagee shall be required if such Mortgagee notifies the Board of Directors within thirty days after receipt of notice of the damage or notice of the taking in condemnation or by eminent domain pursuant to Article X, Section 1(ii) of the Bylaws. The powers hereby granted shall be in addition to any rights granted by the Condominium Act, including but not limited to Section 42-1903.08 of the Condominium Act. The Board of Directors may grant and accept easements and licenses pursuant to Section 42-1903.08(b).

Section 19. Liability of the Board of Directors. Officers, Unit Owners and Unit Owners' Association.

(a) The officers of the Association and the members of the Board of Directors shall not be liable to the Unit Owners for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith or as otherwise provided by law. The Unit Owners and the Unit Owners' Association shall indemnify and hold harmless each of the officers and the members of the Board of Directors from and against all liability arising out of contracts made or other action taken on behalf of the Unit Owners or the Unit Owners' Association, unless any such contract or action shall have been made in bad faith. Every agreement made by the officers, the Board of Directors or the Managing Agent on behalf of the Unit Owners' Association shall provide, if reasonably obtainable, that the officers, members of the Board of Directors, or the Managing Agent, as the case may be, are acting only as agents for the Unit Owners' Association and shall have no personal liability thereunder (other than as Unit

Owners); and that each Unit Owner's liability thereunder shall be limited in accordance with the provisions of Section 42-1903.09 of the Condominium Act, in proportion to such Unit Owner's obligation to pay Common Expenses.

(b) The Unit Owners' Association and the Board of Directors shall not be liable for any failure of utility services or other services obtained by the Unit Owners' Association or paid for as a Common Expense, or for injury or damages to any person or property caused by the elements, by any Unit Owner, or by any other person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the Common Elements or from any pipe, drain, conduit, appliance or equipment. No diminution or abatement of any assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Elements or from any action taken by the Unit Owners' Association to comply with any of the provisions of these Bylaws, the Declaration, the Rules and Regulations, law, ordinance or with the order or directive of any municipal or other governmental authority.

Section 20. Common or Interested Directors. Each member of the Board of Directors shall exercise his or her powers and duties in good faith and in the best interests of the Condominium. No contract or other transaction between the Unit Owners' Association and any of its officers or directors, or between the Unit Owners' Association and any corporation, firm or association (including the Declarant) in which any of the officers or directors of the Unit Owners' Association are directors or officers or are pecuniarily or otherwise interested, is or shall be either void or voidable because of such relationship or interest or because any such officer or director is present at the meeting of the Board of Directors or any committee thereof which authorizes, approves or ratifies such contract or transaction, or because his or her or their vote(s) is counted for such purpose, if any of the conditions specified in any of the following subparagraphs exists:

(a) The material facts of such relationship or interest are disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies such contract or transaction in good faith and by a vote sufficient for the purpose, without counting the vote(s) of such interested officers or directors; or

(b) The material facts of such relationship or interest are disclosed or known to Unit owners holding at least a majority of the votes in the Unit Owners' Association and such Unit Owners authorize, approve or ratify such contract or transaction in good faith and by a vote sufficient for the purpose; or

(c) Such contract or transaction was fair and commercially reasonable to the Unit Owners' Association in view of all the facts known to any officer or director of the Unit Owners' Association at the time it was authorized, ratified, approved or executed.

Any common or interested officer or director may be counted in determining the presence of a quorum at any meeting of the Board of Directors or committee thereof which authorizes, ratifies or approves any contract or transaction. Arrangements between the Unit Owners' Association and the Declarant or the initial Managing Agent shall be deemed to satisfy the requirements of this section.

Section 21. Committees. The Board of Directors from time to time may appoint (and expand and/or disband) such committees from among its own membership and/or from among the Unit Owners' Association as the Board of Directors from time to time deems desirable to assist in the administration or operation or affairs of the Condominium.

#### ARTICLE IV

##### Officers

Section 1. Designation. The principal officers of the Condominium shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may appoint an assistant treasurer, an assistant secretary and/or such other officers as in its judgment may be necessary or desirable. All officers shall have the duties normally incident to their respective offices in a District of Columbia nonstock corporation and such other or additional duties as from time to time shall be assigned by the Board of Directors.

Section 2. Qualifications. All officers shall be Unit Owners (or partners, officers, directors, trustees, agents or employees of Unit Owners who are not natural persons). The President and Secretary shall be members of the Board of Directors. Any officers other than the President and the Secretary may be, but shall not be required to be, members of the Board of Directors. The foregoing restrictions shall not apply to any officers selected by members of the Board of Directors designated by the Declarant prior to the special meeting of the Unit Owners' Association at which all of the members of the Board of Directors shall be elected by all Unit Owners as provided in Section 2 of Article III of these Bylaws.

Section 3. Election. The officers of the Condominium shall be elected annually by the Board of Directors at the organization meeting following each annual meeting of the Unit Owners' Association, and shall hold office at the pleasure of the Board of Directors.

Section 4. Removal or Resignation of Officers. Any officer may be removed, either with or without cause, upon the affirmative vote of a majority of the members of the Board of Directors. Any officer may resign at any time. Any officer shall be deemed to have resigned upon divestiture of title in fee. Any vacancy in an office shall be filled by the Board of Directors at a regular meeting or at a special meeting called for such purpose.

Section 5. Agreements, Contracts, Deeds, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Condominium or the Unit Owners' Association for expenditures or obligations in excess of Two Thousand Five Hundred Dollars (\$2,500.00) shall be executed by any two officers of the Condominium or by such other person or persons as may be designated by the Board of Directors. All such instruments for expenditures or obligations of Two Thousand Five Hundred Dollars (\$2,500.00) or less may be executed by any one officer of the Condominium or by such other person as may be designated by the Board of Directors.

Section 6. Compensation of Officers. No officer of the Unit Owners' Association shall receive any compensation for acting as an officer.

## ARTICLE V

### Assessments

Section 1. Fiscal Year. The fiscal year of the Condominium shall consist of the twelve month period commencing on January 1 of each year and terminating on December 31 of such year.

Section 2. Adoption of Budget. The Declarant shall determine the budget for the period commencing upon the conveyance of legal title to the first Unit by the Declarant and ending on the last day of the fiscal year in which such conveyance occurs. Each year thereafter, at least sixty (60) days before the beginning of the new fiscal year, the Board of Directors shall adopt a budget for the Condominium *containing* an estimate of the total amount which it considers necessary to pay the cost of the Common Expenses (net of all common profits) for the ensuing fiscal year (including without limitation such reasonable amounts as the Board of Directors shall deem sufficient to provide working capital for the Unit Owners' Association, a general operating reserve, reserves for repair and replacement of Common Elements and reserves for contingencies). At least thirty (30) days before the beginning of each fiscal year, the Board of Directors shall send to each Unit owner a copy of such budget and the obligation of each Unit owner pursuant to the provisions of this Article to pay his or her allocable share of the Common Expenses based upon such budget.

Section 3. Effect of Failure to Adopt Budget. The failure or delay of the Board of Directors to adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his or her allocable share of the Common Expenses as provided in this Article. In the absence of any *annual* budget, each Unit Owner shall continue to pay the monthly charge at the rate established for the previous fiscal year until the monthly installment which is next due more than ten (10) days after a new *annual* budget shall have been adopted and notice of new assessments have been given to Unit Owners.

Section 4. Assessment of Common Expenses. The total amount of the estimated Common Expenses (including reserves) as set forth in the budget or budgets of the Condominium for any fiscal year shall be assessed against all Units in proportion to the respective Percentage Interests of all Units. The assessment made against each Unit for each fiscal year shall set forth separately such Unit's share of the amount of the total assessment. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Unit Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board of Directors) one-twelfth (1/12th) of the assessment for Common Expenses for such fiscal year. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall supply to all Unit Owners an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget or budgets adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures, plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, in the discretion of the Board of Directors, either (i) be credited, in proportion to each Unit Owner's obligation to pay Common Expenses, to the next monthly installments due from Unit Owners, or (ii) refunded among Unit Owners who paid assessments in proportion to their payments, or (iii) added to reserves until exhausted. Any net shortage shall be assessed against Unit Owners then of record in proportion to each Unit Owner's obligation to pay Common Expenses and shall be payable, in the discretion of the Board of Directors, either (i) in full, with payment of the monthly *installment* which is next due more than ten (10) days after the date of such assessment, or (ii) in not more than twelve (12) equal monthly *installments*, beginning with the next due monthly installment.

Section 5. Reserves. The Board of Directors shall build up and maintain adequate reserves as they deem appropriate for working capital and for repairs to and replacements of the Common Elements, and may establish reserves for general operations, contingencies or other matters. All reserves shall be kept in a separate bank account(s), segregated from general operating funds, and, if the Board of Directors shall deem it advisable, funds accumulated for each type of reserve shall be kept in a separate bank account, identified by reference to the specific category of reserve. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. Except where an emergency requires an expenditure to prevent or minimize loss from damage to, or deterioration of, the Common Elements, reserves accumulated for one purpose may not be expended for any other purpose unless approved by the Unit Owners' Association.

Section 6. Special Assessments.

(a) Limited Common Element Parking Spaces. All expenditures associated with the operation, maintenance or repair, or the

renovation, restoration or replacement of Limited Common Element parking spaces shall be specially assessed by the Board of Directors equally against each Limited Common Element parking space and shall be payable by the Unit Owner of the Unit to which such Limited Common Elements shall be assigned as of the time such expenses shall be made or incurred. The Board of Directors shall also establish appropriate reserves for the Limited Common Element parking spaces to be assessed as aforesaid.

(b) Extraordinary Expenditures. If reserves established and maintained in accordance with this Article shall be inadequate for any reason, including the non-payment of any Unit Owner's assessment, the Board of Directors at any time or from time to time may levy a special assessment in order to defray, in whole or in part, extraordinary expenditures, or the cost of any construction, reconstruction or replacement of the Common Elements. Such special assessment shall be levied against all Unit Owners in proportion to each Unit Owner's obligation to pay Common Expenses.

(c) Assessment. The Board of Directors shall serve notice of any special assessments on all affected Unit Owners by a statement in writing giving the amount of and reasons for such special assessment, which special assessment may be payable, as the Board of Directors may determine, in lump sum or in installments, and, unless otherwise specified in the notice, shall be payable with the next due monthly installment which is due more than ten (10) days after the giving of such notice. All Unit Owners shall be obligated to pay the adjusted monthly amount or, if the special assessment is not payable in installments, the amount of such assessment.

Section 7. Working Capital Fund. There will be established an initial working capital fund through the payment made by each Unit Owner, upon the purchase of his or her Condominium Unit from the Declarant, of an amount equal to twice the monthly installments for Common Expenses for such Unit under the pro forma or actual budget then in effect. The Declarant shall deliver such funds so collected to the Board of Directors to provide working capital for the Unit Owners' Association. Neither the Declarant, any Mortgagee who obtains title to Unit by foreclosure or deed in lieu thereof, any purchaser at a foreclosure sale, nor any purchaser upon a resale of a Unit, shall be required to pay working capital assessments. The working capital fund may be used for any lawful purpose, as the Board of Directors from time to time shall determine, including without limitation defraying shortages in operating funds.

Section 8. Obligation to Pay Common Expenses. Each Unit owner shall be obligated to pay assessments for Common Expenses and special assessments levied by the Board of Directors pursuant to these Bylaws. No Unit owner may be exempted from liability to contribute toward payment of assessments by waiver of the use or enjoyment of any of the Common Elements or by



abandonment of his or her Unit. No Unit Owner shall be liable for the payment of any assessments for Common Expenses or special assessments levied against his or her Unit subsequent to the perfection of a sale or other divestiture of title, by operation of law or otherwise, of such Unit by such Unit Owner. Subject expressly to and except as otherwise provided in Section 10 of this Article, the purchaser of a Condominium Unit or other successor in interest in connection with any voluntary transfer of a legal or equitable interest in a Condominium Unit shall be liable jointly and severally with the transferor Unit Owner for all assessments which have become due and payable against such transferor's Unit prior to and up to the time of such transfer, without prejudice, however, to any rights of such successor to recover from the transferor; provided, however, that any such transferor Unit Owner and successor in interest upon request shall be entitled to a recordable statement from the Board of Directors or Managing Agent setting forth the amount of the unpaid assessments against the transferor Unit Owner's Unit, and such successor shall not be liable for, nor shall the Condominium Unit conveyed be subject to, a lien for any unpaid assessments in excess of the amount set forth in such statement. Failure to furnish or make available such statement within five (5) business days from receipt of such request shall extinguish the lien for unpaid assessments. Payment of a fee of Twenty-five Dollars (\$25.00) or, if greater, the maximum amount allowable under the Condominium Act, shall be required as a prerequisite to the issuance of such statement.

Section 9. Lien for Assessments.

(a) Lien. The total annual assessment of each Unit Owner for Common Expenses or any special assessment, or any other sum duly levied (including without limitation fines, interest, late charges, etc.), made pursuant to these Bylaws, is hereby declared to be a lien levied against the Unit of such Unit Owner as provided in Section 42-1903.13 of the Condominium Act, which lien shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Condominium and, as to special assessments and other sums duly levied, on the first day of the next month which begins more than seven days after delivery to the Unit Owner of notice of such special assessment or levy. The Board of Directors or the Managing Agent may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien.

(b) Acceleration. In any case where an assessment against a Unit Owner is payable in installments, upon a default by such Unit Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Unit Owner and such Unit Owner's Mortgagee by the Board of Directors or the Managing Agent,

(c) Enforcement. The lien for assessments may be enforced and foreclosed-in any manner permitted by the laws of the District of Columbia by power of sale or action in the name of the Board of Directors, or the Managing Agent, acting on behalf of the Unit Owners' Association. During the pendency of such suit the Unit Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of the District of Columbia.

(d) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

(e) Supplemental Enforcement of the Lien. In addition to the proceedings at law or in equity for the enforcement of the lien established by the Declaration and these Bylaws or the Condominium Act, all of the Unit Owners may be required by the Declarant or the Board of Directors to execute bonds conditioned upon the faithful performance and payment of the installments of the lien established thereby and may likewise be required to secure the payment of such obligations by recording a declaration of trust in the land records of the District of Columbia granting unto one or more trustees appropriate powers to the end that, upon default in the performance of such bond such declaration of trust may be foreclosed by such trustees acting at the direction of the Board of Directors. If any such bonds have been executed and such declaration of trust is recorded, then any subsequent purchaser of a Unit shall take title subject thereto and shall assume the obligations provided for therein.

Section 10. Subordination and Mortgagee Protection.

Notwithstanding any other provision of the Declaration or these Bylaws to the contrary, any lien for assessments shall be subordinate to the rights of the holder of a Mortgage made in good faith, for value received prior to the date such assessment became due and payable, and such holder, or the purchaser at a foreclosure sale, their successors and assigns, shall not be liable for and such Unit shall not be subject to a lien for the payment of assessments which have become due and payable prior to the acquisition of title or the taking of possession (whichever first occurs) of such Unit pursuant to a decree of foreclosure, or any proceeding in lieu of foreclosure; provided, that such subordination shall apply only to assessments which have become due and payable prior to such acquisition of title or the taking of possession of such Unit, and such holder or purchaser, their successors and assigns, shall be liable for and such Unit shall be subject to a lien for assessments thereafter becoming due and payable. Any such unpaid assessments for which a Mortgagee or purchaser, their successors and assigns, shall not have liability pursuant to this Section shall constitute a Common Expense for which each Unit Owner, including

such Mortgagee or purchaser, their successors and assigns, shall be liable in proportion to each Unit Owner's obligation to pay Common Expenses.

Section 11. Collection of Assessments. The Board of Directors, or the Managing Agent at the request of the Board of Directors, shall take prompt action to collect any assessments for Common Expenses due from any Unit Owner which remain unpaid for more than thirty (30) days from the due date for payment thereof.

Section 12. Interest. In the event of a default by any Unit Owner in paying any Common Expenses or any other sum assessed against the Unit Owner which default continues for a period of fifteen (15) days, such Unit owner shall be obligated to pay a late payment charge in the amount of Ten Dollars (\$10.00), or such other amount as from time to time shall be determined by the Board of Directors, provided such amount shall not exceed the highest interest rate permitted by law.

Section 13. Accounts. Except as otherwise provided in this Article, all sums collected by the Board of Directors with respect to assessments against the Unit Owners may be commingled into a single fund, but shall be held for each Unit Owner in accordance with such Unit Owner's allocable share of the Common Expenses.

Section 14. Books and Accounts. Books and accounts of the Unit Owners' Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices. Such books and accounts shall detail, in chronological order, the income and expenditures of administration and operation of the Condominium, and shall specify the maintenance, repair and service expenses and any other expenses incurred.. The amount of any special assessment required for payment of any capital improvement of the Condominium shall be credited upon the books of the Condominium to the "Paid-in Surplus" account as a capital contribution.

Section 15. Inspection of Books. The books and accounts of the Unit Owners' Association shall be available for inspection by the Unit Owners and/or their accountants, attorneys and duly authorized agents, and to any Mortgagee, and/or its accountants, attorneys and duly authorized agents, during normal business hours, upon reasonable notice and for purposes reasonably related to their respective interests.

Section 16. Statement of Common Expenses. The Board of Directors promptly shall provide to any Unit Owner, contract purchaser or Mortgagee upon request a written statement in recordable form of all unpaid assessments due from such Unit Owner. Payment of a fee of Twenty-five Dollars (\$25.00) or, if greater,

the maximum amount allowable under the Condominium Act, shall be required as a prerequisite to the issuance of such statement.

Section 17. Audit. The books and accounts of the Unit Owners' Association shall be audited at least once a year by an outside auditor employed by the Board of Directors who shall not be a resident of the Condominium or a Unit Owner. The cost of such audit shall be a Common Expense.

## ARTICLE VI

### Repair, Improvement and Use

#### Section 1. Maintenance and Repair.

(a) By the Unit Owners' Association. Except as otherwise provided in this Section or by the provisions of these Bylaws, or the Condominium Act, the Unit Owners' Association shall be responsible for the maintenance, repair and replacement of the Common Elements, including the Limited Common Elements, whether located inside or outside of Units, the cost of which shall be a Common Expense.

(b) By the Unit Owner.

(1) Each Unit Owner shall be responsible at his or her own expense for the maintenance, repair and replacement of his or her Unit and all parts thereof, including without limitation interior walls included as part of a Unit, interior ceilings and floors, windows (except for exterior cleaning) and the finished interior surfaces of all perimeter walls, ceilings and floors, kitchen and bathroom fixtures and appliances, lighting, heating and air-conditioning components included as a part of the Unit. Each Unit Owner promptly shall report to the Board of Directors or the Managing Agent any defect or need for repairs for which the Unit Owners' Association is responsible.

(2) Each Unit Owner shall perform normal maintenance to any Limited Common Element appurtenant to such Unit Owner's Unit and of any portion of the General Common Elements which such owner has the right to utilize exclusively or in conjunction with less than all of the other Unit Owners.

(3) Each Unit Owner shall be responsible for all damage to any and all other Units or to the Common Elements resulting from such Unit owner's failure to maintain or make any of the repairs required to be made pursuant to this Section. Each Unit Owner also shall be responsible for the expense of any maintenance, repair and/or replacement of any of the Common Elements, including the Limited Common Elements, if in the opinion of not less than a majority of the members of the Board of Directors such expense was necessitated by

the negligence, misuse or neglect of any Unit Owner's), or of any member(s) of such Unit Owner's household or family, or of any employee(s), agent(s), licensee(s) or invitee(s) of such Unit Owner's). All structural repairs or replacements of any and all Common Elements, including the Limited Common Elements, made pursuant to this paragraph shall be made by the Unit Owners' Association, but the cost thereof shall be borne by the party(ies) responsible therefor as herein provided.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality.

Section 2. Right of Access. By acceptance of a deed of conveyance, each Unit Owner thereby grants a right of access to his or her Unit, as provided by Section 42-1903.07(a) of the Condominium Act, to the Board of Directors, the Managing Agent and each Unit owner, their respective agents and employees, or any group of the foregoing, for the purpose of enabling the exercise and discharge of their respective powers and responsibilities, including without limitation making inspections, correcting any condition originating in a Unit and threatening another Unit or the Common Elements, performing installations, alterations or repairs to the mechanical or electrical services or the Common Elements in a Unit or elsewhere in the Condominium, or to correct any condition which violates the provisions of the Declaration, these Bylaws, the Rules and Regulations or any Mortgage, provided, that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. Notwithstanding the foregoing, in case of an emergency, such right of entry shall be immediate and without notice, whether the Unit owner is present at the mairs or not. Any exercise of the rights herein conferred shall be in a manner, to the extent practicable so as not to interfere unreasonably with the use of a Unit or the Common Elements, and any damage to any Unit or to the Common Elements resulting from any exercise of the rights herein conferred shall be repaired by the party(ies) responsible for such damage.

Section 3. Additions. Alterations or Improvements; Emergency Repairs.

(a) By the Unit Owners' Association. Whenever the Common Elements shall require any addition, alteration or improvement costing in excess of three percent (3%) of the total annual assessment for that fiscal year and the making of such addition, alteration or improvement shall have been approved by the Unit Owners' Association, the Board of Directors shall proceed with such addition, alteration or improvement and the cost thereof share constitute a Common Expense. Emergency repairs, however, necessary to prevent or correct conditions involving manifest danger to life or property, or for the preservation and safety of the Condominium, or for the safety of the Unit Owners, or required to avoid the suspension of any necessary service to the Condominium, may be made by

the Board of Directors on behalf of the Unit Owners' Association without approval of the Unit Owners, regardless of the cost limitations imposed by this Section. Any addition, alteration or improvement costing three percent (3%) of the total annual assessment for that fiscal year or less may be made by the Board of Directors on behalf of the Unit Owners' Association without approval of the Unit Owners and the cost thereof shall constitute a Common Expense. Notwithstanding the foregoing provisions of this Section, if in the opinion of not less than a majority of the members of the Board of Directors any addition, alteration or improvement is or shall be exclusively or substantially exclusively for the benefit of any Unit or Units to the exclusion of all other Units, such Unit(s) shall be assessed therefor in such proportion as the Unit Owner(s) of such Unit(s) jointly shall approve, or, if they are unable to agree thereon, in such proportions as shall be determined by the Board of Directors.

(b) By the Unit Owners. Except as expressly permitted by Section 42-1902.24 of the Condominium Act, no Unit Owner shall make any addition, alteration or improvement in or to his or her Unit which will or may impair the structural integrity or mechanical, electrical or plumbing systems of the Building or of the Condominium, and interior partitions contributing to the support of the Unit or the Building shall not be altered or removed. No Unit Owner shall make any addition, alteration or improvement, or shall change the appearance of the Common Elements or the exterior appearance of any Unit (including without limitation doors, windows and window shades) or Limited Common Element without the prior written consent of the Board of Directors acting for and on behalf of the Unit Owners' Association. If application to any governmental authority for a permit to make an addition, alteration or improvement requires execution by the Unit Owners' Association and, if applicable, provided consent of the Board of Directors has been given, then the application shall be executed on behalf of the Unit Owners' Association by the Board of Directors or any officer designated by the Board of Directors, without, however, incurring any liability to any contractor, subcontractor or materialman on account of such addition, alteration or improvement, or to any person having any claim for injury to person or damage to property arising therefrom. The foregoing provisions of this paragraph shall not apply to Condominium Units owned by the Declarant before deeds of conveyance to such Units shall have been delivered, and the Declarant shall have the right to make any such alterations without the consent of the Board of Directors or any Unit Owner or any Mortgagee.

Section 4. Use of Units and Common Elements. Each Unit and the Common Elements shall be occupied and used as follows:

(a) Except as permitted by these Bylaws, no part of the Condominium shall be used for any purpose except housing and the related residential purposes for which the Condominium was designed; provided however that a parking space may be used only for the parking of passenger vehicles. A

limited common element parking space may not be owned by one who does not own a Unit.

(b) A Unit Owner may use a portion of a Unit for a home office or studio, provided, that such use is consistent with all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction over the Condominium and the activities therein shall not interfere with the quiet enjoyment or comfort of any other Unit Owner, and provided, further, that in no event shall any part of the Condominium be used as a school or music studio. Except for such home office or studio use, no industry, business, trade, occupation or profession of any kind, commercial, religious, educational, or otherwise, shall be conducted, maintained, or permitted in any unit.

(c) No Unit shall be used or occupied for transient or hotel purposes. No portion of any Unit (other than the entire Unit) shall be leased for any period; provided, however, that arrangements for a reasonable number of roommates is permitted. Unit Owner shall lease a Unit other than on a written form of lease: (i) requiring the lessee to comply with the Declaration, these Bylaws, and Rules and Regulations; (ii) providing that failure to comply constitutes a default under the Lease, and (iii) providing that the Board of Directors has the power to terminate the lease or to bring summary proceedings to evict the tenant in the name of the lessor thereunder after forty-five (45) days prior written notice to the Unit Owner, in the event of a default by the tenant in the performance of the lease. The Board of Directors may suggest a standard form lease for use by Unit Owners. Each Unit Owner of a Unit shall, promptly following the execution of any lease of Unit, forward a conformed copy thereof to the Board of Directors. The foregoing provisions of this paragraph, except the restriction against use or occupancy for hotel or transient purposes, shall not apply to Units owned by the Association, to the Declarant, or to a Mortgagee in possession of Unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(d) No immoral, improper, offensive or unlawful use shall be made of the Condominium or any part thereof, and all laws, orders, rules, regulations or regulations or requirements of any governmental agency having jurisdiction over any portion of the observed Condominium shall be observed.

(e) Nothing shall be done or kept in any Unit or in or on the Common Elements which will increase the rate of insurance for the Condominium, without the prior written consent of the Board of Directors. No Unit Owner shall permit anything to be done or kept in a Unit or in or on the Common Elements which will result in the cancellation of insurance on the Condominium or which would be in violation of any public law, ordinance or regulation. No waste will be committed in, on or to the Common Elements. Nothing herein shall in any way be deemed to limit or proscribe the activities of the Declarant.

(f) The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of small, orderly domestic pets (e.g., dogs, cats or caged birds), not to exceed one per Unit without the approval of the Board of Directors, is permitted, subject to the Rules and Regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding; and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the Condominium upon ten days written notice from the Board of Directors. Any Unit owner or resident may notify the Board of Directors in writing that a pet of a Unit Owner or resident is creating a nuisance or making noise or an unreasonable disturbance. If the complainant so requests, his name shall be disclosed only to the Board of Directors. The owner of the pet shall be immediately notified and a hearing shall be held by the Board of Directors within forty-five (45) days of the delivery of the notice. The Board shall give all Unit owners and residents an opportunity to be heard on the matter. The owner of the pet must show to the satisfaction of the Board that the allegation is untrue or the Board shall remove the pet forthwith from the Condominium. Defecating or urinating in the Common Elements in other than designated areas, or barking while the pet owner is not present, or the emission of odors are examples of an unreasonable disturbance. Such pets shall not be permitted upon the Common Elements unless accompanied by an adult and unless carried or leashed and then only in those areas designated by the Board of Directors. Any Unit Owner or resident who keeps or maintains any pet upon any portion of the Condominium shall be deemed to have indemnified and agreed to hold the Unit Owners' Association, each Unit Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law. The Board of Directors may establish reasonable fees for registration of pets not to exceed the additional costs incurred by the Unit Owners' Association resulting from the presence of such pets.

(g) No Unit Owner shall obstruct any of the Common Elements nor shall any Unit owner place or cause or permit anything to be placed on or in any of the common Elements (except those areas designated for such storage by the Declaration and these Bylaws or the Board of Directors) without the approval of the Board. Nothing shall be altered or constructed in or removed from the Common Elements except with the prior written consent of the Board of Directors or the Covenants Committee, as appropriate. The Common Elements shall be used only for the furnishing of the services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the Units. The lobbies, vestibules, public halls and stairways shall be used for no purpose other than for normal transit. No signs, posters or handbills may be posted or



delivered in, on, or, through the lobbies, vestibules, public halls or stairways, or delivered under the doors to the Units.

(h) No fences may be erected in the Condominium except for those fences or walls erected by the Declarant or the Board of Directors.

(i) No satellite receiving systems or stations or exterior antennae of any kind shall be maintained in a Unit or upon the Common Elements, except for any master antennae which may be provided by the Declarant or with the prior written consent of the Board of Directors.

(j) No person may post any advertisement, poster or sign of any kind on the exterior of a Unit or on any Limited Common Element, except when required by law. The right is reserved by the Declarant or its agents to use any unsold Unit or Units, or any Unit or Units leased by the Declarant, for model, sales and/or rental offices and/or for any other lawful purpose or purposes, and to display "For Sale" and "For Rent" signs of any size on the Common Elements, or on any such Unit or on the Building.

(k) Sufficient carpeting or rugs shall be maintained on at least eighty percent (80%) of the floor surfaces (except kitchens, closets, center halls and bathroom) in Units located over other Units to adequately reduce transmission of sound between Units.

(l) No Unit shall be subjected to or used for any timesharing, cooperative, licensing or other arrangement that would entail weekly, monthly, or any other type of revolving or periodic occupancy by multiple Unit Owners, cooperators, licensees, or timesharing participants.

(m) Trailers, campers, recreational vehicles, boats and other large vehicles may not be parked on the Condominium. All vehicles shall be parked wholly within parking space lines. No junk or derelict vehicle or other vehicle on which current registration plates are not displayed shall be kept upon any of the Common Elements. Except in areas designated by the Board of Directors, vehicle repairs other than: (i) emergency maintenance, (ii) ordinary light maintenance (excluding fluid changes and other operations which might soil the Common Elements) and (iii) normal cleaning, are not permitted on the Common Elements.

Section 5. Rules and Regulations. Rules and Regulations concerning the operation and use of the Common Elements may be promulgated, amended and/or repealed by the Board of Directors, provided, that such Rules and Regulations are not contrary to or inconsistent with the Condominium Act, the Declaration, or these Bylaws. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Unit Owner prior to the time when the same shall become effective.

Section 6. Utility Charges; User Fees. The cost of utilities serving the Condominium not individually metered to a unit shall be Common Expenses allocated pursuant to Article V of these Bylaws. The Board of Directors may impose reasonable user fees, whether or not designated as Common Expenses, for the use of Common Elements or personal property of the Unit Owners' Association or services provided by the Unit Owners' Association.

## ARTICLE VII

### Alienation of Condominium Units

Section 1. No Severance of Ownership. Except to the extent otherwise expressly provided by the Declaration, these By-laws or the Condominium Act, the undivided interest in the Common Elements or Limited Common Elements allocated to any Unit shall not be altered and any purported transfer, encumbrance or other disposition of such interest without the Unit to which it appertains shall be void.

### Section 2. Resales of Units.

(a) Resales of Units by Unit Owners other than the Declarant are governed by law. Section 42-1904.11 of the Condominium Act requires a Unit Owner other than the Declarant to obtain from the Unit Owners' Association and to furnish to his or her purchaser prior to the contract date of disposition certain financial information and statements concerning the Unit and the Condominium. The failure of the Unit Owners' Association to provide such information and statements in the manner and within the time period provided by the Condominium Act, shall render the contract of purchase enforceable only at the option of the purchaser. All Unit owners are directed to the Condominium Act, including specifically but without limitation Sections 42-1904.11 and 42-1903.13(h) prior to entering into a contract for the resale of a Unit.

(b) Leases of Units by Unit Owners other than the Declarant are governed by Section 4(c) of Article VI of these Bylaws.

## ARTICLE VIII

### Insurance

### Section 1. General Requirements.

(a) Each policy of insurance purchased by the Board of Directors pursuant to this Article shall provide to the fullest extent applicable as follows:

(1) The named insureds under such policies shall be the Unit Owners' Association, the Unit Owners, the Insurance Trustee, the Board of Directors, the Managing Agent and their authorized representatives, as their interests may appear;

(2) In no event shall any such insurance be brought into contribution with insurance purchased by individual Unit Owners or their Mortgagees;

(3) The insurer waives (i) any right to claim by way of subrogation against the Unit Owners' Association, the Board of Directors, the Managing Agent or the Unit Owners, and their respective agents, employees, invitees and, in the case of the Unit Owners, the members of their households; and (ii) any defense based upon co-insurance or upon any invalidity arising from the acts of the insured;

(4) Such policy shall not be cancelled, invalidated or suspended due to the act or omission of any Unit Owner (including any member of his or her household and his or her invitees, agents and employees) or of any member, officer or employee of the Board of Directors or the Managing Agent without prior demand in writing that the Board or the Managing Agent cure the defect and neither shall have so cured such defect within sixty days after such demand;

(5) Such policy may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least sixty (60) days' prior notice to the Board of Directors and the Managing Agent, and in the case of physical damage insurance, to all Mortgagees and Unit Owners to whom certificates, subpolicies or endorsements have been issued;

(6) Any "no other insurance" clause contained in the master policies shall expressly exclude individual Unit owners' policies from its operation; and

(7) The master policy shall contain a standard mortgagee clause, without contribution, in favor of each Mortgagee to the extent of the portion of the coverage of the master policy allocated to such Unit, which shall provide that the loss, if any, thereunder shall be payable to such Mortgagee and the Unit Owner, as their interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee set forth in this Article.

(b) All policies of insurance shall be written by companies with a financial rating of A or better under Best's Rating Guide (or any comparable rating under a revised rating guide).

(c) In accordance with Section 42-1903.10 of the Condominium Act, written notice of the procurement of each policy of insurance purchased by the Board of Directors pursuant to this Article, and of any modification or termination of any such policy, promptly shall be furnished by the Secretary to all Unit Owners.

(d) The deductible, if any, on any insurance policy purchased by the Board of Directors shall be a Common Expense provided, however, that the Unit Owners' Association may assess any deductible amount necessitated by the negligence, misuse or neglect of a Unit Owner against such Unit Owner.

Section 2. Physical Damage Insurance.

(a) The Board of Directors shall obtain and maintain a blanket all-risk policy of physical damage insurance, with extended coverage, insuring the entire Condominium (excluding only betterments and improvements supplied or installed by or other personal property of the Unit Owners in the Units), together with all heating and air-conditioning equipment and other service machinery contained therein, and covering the interests of the Unit Owners' Association, the Board of Directors and all Unit Owners and their Mortgagees, as their interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Board of Directors and the Insurance Trustee contained in this Article, in an amount equal to one hundred percent (100%) of the full replacement value of the Condominium based on the then current replacement cost (exclusive of the Land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation. Such insurance shall contain the following endorsements to the extent obtainable: (i) Agreed Amount and Inflation Guard Endorsement; (ii) Demolition Cost Endorsements; (iii) Contingent Liability from operation of Building Laws Endorsement; and (iv) Increased Cost of Construction Endorsement. Such policy of physical damage insurance shall also provide or include to the extent obtainable that the insurer will issue to each Unit Owner a certificate or subpolicy specifying the portion of such policy allocated to his or her Unit and the Percentage Interest of such Unit in the Common Elements. The amount of such coverage shall be reviewed annually by the Board of Directors with the assistance of the insurance company affording such coverage and such coverage shall be redetermined when and as the Board of Directors deems advisable.

(b) A certificate of insurance or a true and certified copy of the policy of physical damage insurance, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder, together with proof of payment of premiums shall be delivered by the insurer to any Mortgagee so requesting the same.

Section 3. Liability Insurance. The Board of Directors shall obtain and maintain comprehensive general public liability and property damage insurance in such limits as the Board of Directors from time to time may determine in accordance with this Section, insuring each member of the Board of Directors, the Managing Agent, the Unit Owners' Association, and each Unit Owner against any liability to the public or to the Unit Owners (and their invitees, agents and employees) arising out of, or incident to the ownership and/or use of the Common Elements. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) libel, slander, false arrest and other personal injury offenses coverage; (ii) medical payments coverage; (iii) a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to such insured's action against another named insured; (iv) hired and non-owned vehicle coverage; (v) host liquor liability coverage with respect to events sponsored by the Association; (vi) property of others coverage; (vii) broad form property damage coverage; and (viii) a "severability of interest" endorsement which shall preclude the insurer from denying liability to a Unit Owner because of the negligent acts of the Unit Owners' Association, the Board of Directors, the Managing Agent or of another Unit Owner. The Board of Directors shall review such limits once each year, but in no event shall such insurance be written in an amount less than one Million Dollars (\$1,000,000.00) covering all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of umbrella liability insurance in excess of primary limits in the discretion of the Board of Directors also may be obtained.

Section 4. Other Insurance. The Board of Directors shall obtain and maintain:

(a) Directors and officers liability coverage and fidelity bond coverage to protect against wrongful and dishonest acts on the part of the officers, directors, employees and other agents of the Unit Owners' Association, including the Managing Agent, who either handle or are responsible for handling the funds of the Unit Owner's Association. Fidelity bonds shall (i) name the Unit Owners' Association as an obligee; (ii) be written in such amounts as from time to time shall be required by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association; (iii) contain waivers of any defense based upon the exclusion for persons who serve without compensation from any definition of "employee" or similar expression; and (iv) include provision for ten (10) days' written notice to the Unit Owners' Association and each servicer of any Mortgage owned by the Federal Mortgage Association before the bond can be cancelled or substantially modified;

(b) Workmen's compensation insurance if and to the extent necessary to meet the requirements of law;

(c) Broad form machinery and pressure vessel (boiler) explosion insurance in an amount not less than Three Hundred Thousand Dollars (\$300,000.00) per accident per location; and

(d) Such other insurance as the Board of Directors may determine, or as may be requested from time to time by a majority of the votes of the Unit Owners, or as required by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or by law.

Section 5. Separate Insurance. Each Unit Owner shall have the right, at such owner's expense, to obtain insurance for his or her own Unit and for his or her own benefit and to obtain insurance coverage upon such Unit Owner's personal property and for such Unit Owner's personal liability as well as upon any permitted betterments and improvements made by such Unit owner to his or her Unit.

Section 6. Insurance Trustee.

(a) All physical damage insurance policies purchased by the Board of Directors shall provide that, with respect to any single loss, if the proceeds thereof exceed six percent (6%) of the total annual assessment for Common Expenses for that fiscal year, then all such proceeds shall be paid in trust to such bank, insurance company, trust company or other agency, with trust powers, located in the Washington, D.C. Metropolitan Area, as may be designated by the Board of Directors (which trustee herein is referred to as the "Insurance Trustee"). If such proceeds do not exceed six percent (6%) of the total annual assessment for Common Expenses for that fiscal year, then all such proceeds shall be paid to the Board of Directors to be applied pursuant to the provisions of Article IX of these Bylaws.

(b) The Board of Directors shall enter into an Insurance Trust Agreement with the Insurance Trustee chosen by the Board of Directors. The Insurance Trust Agreement shall provide that the Insurance Trustee shall not be liable for the payment of premiums, the renewal of the policies, the sufficiency of coverage, the form or contents of the policies, the correctness of any amounts received on account of the proceeds of any insurance policies, nor for the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to receive such proceeds as are paid to it and to hold the same, in trust, for the purposes stated in these Bylaws for the benefit of the insureds and their beneficiaries.

Section 7. Board of Directors as Agent. The Board of Directors hereby irrevocably is appointed the agent for each Unit owner to adjust and settle all claims arising under insurance policies, maintained by the Board of Directors and to execute and deliver releases upon the payment of claims.

**ARTICLE IX**  
**Repair and Reconstruction After Fire or Other Casualty**

Section 1. General Requirements.

(a) When Repair and Reconstruction are Required. Except as provided in paragraph (b) of this Section, in the event of damage to or destruction of all or any part of the Condominium as a result of fire or other casualty, the Board of Directors shall arrange for and supervise the prompt repair and restoration of the Condominium (excluding only betterments and improvements supplied or installed by or other personal property of the Unit Owners in the Units). Notwithstanding the foregoing, each Unit Owner shall have the right to supervise the interior cosmetic redecoration of his or her own Unit.

(b) When Reconstruction is not Required. If more than two-thirds of the entire Condominium, measured by full replacement value, is destroyed by fire or other casualty, and, subject to the provisions of the Section of the Declaration captioned "Consent of Mortgagees," if within one hundred twenty (120) days after the date of such destruction Unit Owners owning Units to which at least four-fifths of the votes in the Unit Owners' Association appertain agree to waive and terminate the condominium regime, the Condominium shall be subject to an action for partition, in which event the net proceeds of sale and the insurance policies, if any, shall be considered as one fund, and distributed by the Board of Directors or the Insurance Trustee, as the case may be, among all the Unit owners in proportion to their respective Percentage Interests, after first paying out of the share of each Unit Owner, to the extent sufficient for this purpose, the amount of any unpaid liens on such Unit Owner's condominium unit, in the order of the priority of such liens. Until the execution of judgment partitioning the Condominium, each Unit Owner, and his or her heirs, successors or assigns, shall have an exclusive right of occupancy of that part of the Condominium which formerly constituted his or her Unit.

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any part of the Condominium, the Board of Directors shall obtain detailed estimates of reconstruction and repair costs to restore the Condominium to a condition as good as that existing before such fire or other casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary or desirable.

(b) Assessments. If the proceeds of insurance maintained on behalf of the Unit Owners' Association shall not be sufficient to defray the estimated costs of reconstruction and repair, or, if at any time during reconstruction and repair, the funds for the payment of the costs thereof are insufficient, and/or, to

the extent of the cost of any deductible amounts under any policies of insurance, special assessments in sufficient amounts to provide payment of such costs shall be levied by the Board of Directors against all Unit Owners in proportion to each Unit Owner's obligation to pay Common Expenses. Such special assessments shall not require the approval of the Unit Owners' Association, anything in these Bylaws to the contrary notwithstanding.

(c) Plans and Specifications. Any reconstruction or repair of the Condominium in accordance with this Article shall be made substantially in accordance with the plans and specifications under which the Condominium originally was constructed, subject to the requirements of applicable law at the time of such reconstruction or repair.

(d) Encroachments. Subject to any express or implied limitations imposed by Section 42-1902.16 of the Condominium Act, encroachments upon or in favor of Units which may be created as a result of any reconstruction or repair in accordance with the provisions of this Article shall not constitute a claim or basis for any proceedings or action by the Unit Owner upon whose Unit such encroachment exists, provided that such reconstruction is substantially in accordance with the plans and specifications under which the Condominium originally was constructed or with the current applicable law. Such encroachments shall be allowed to continue in existence for so long as the reconstructed or repaired Unit(s) or Building shall stand.

### Section 3. Disbursements.

(a) Construction Fund. The net proceeds of insurance collected on account of casualty, together with any sums received by the Board of Directors from collections of special assessments against Unit Owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner: If the estimated cost of reconstruction and repair is six percent (6%) or less than the total annual assessment for Common Expenses for that fiscal year, construction fund shall be disbursed in payment of such costs upon order of the Board of Directors; if the estimated cost of reconstruction and repair is more than six percent (6%) of the total annual assessment for Common Expenses for that fiscal year, then the construction fund shall be disbursed in payment of such costs by the Insurance Trustee upon approval of an architect qualified to practice in the District of Columbia and employed by the Insurance Trustee to supervise such reconstruction and repair, payment to be made from time to time as the work progresses. The architect shall be required to furnish a certificate giving a brief description of the services and materials furnished by the various contractors, subcontractors, materialmen, the architect and other persons who have rendered services or furnished materials in connection with such reconstruction and repair and stating that: (i) the sums requested by them in payment are justly due and owing and do



not exceed the value of the services and materials furnished; (ii) there is no other outstanding indebtedness known to such architect for the services and materials described; and (iii) the cost as estimated by such architect for the work remaining to be done subsequent to the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so requested.

(b) Surplus. The first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of reconstruction and repair for which the fund is established, such balance shall be divided first among all Unit Owners who paid special assessments levied pursuant to Section 2 of this Article in proportion to their payments, and the balance, if any, shall be divided among all Unit owners in proportion to their Percentage Interests and shall be distributed in accordance with the priority of interests, at law or in equity, in each Unit.

(c) Common Elements. When damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of replacing and repairing those portions of the Common Elements which enclose and/or service the Units, next to the cost of replacing and repairing the perimeter walls of the Units next to the cost of replacing and repairing the other. Common Elements, and the balance, if any, to the cost of replacing and repairing the Units (to the extent provided in this Section).

(d) Certificate. The Insurance Trustee shall be entitled to rely upon a certificate executed by the President (or the Vice President) and the Secretary of the Unit Owners' Association, certifying (i) whether the damaged property is required to be reconstructed and repaired, (ii) the name of the payee and the amount to be paid with respect to disbursement from any construction fund, and (iii) all other matters concerning the holding and disbursing of any construction fund. Any such certificate shall be delivered to the Insurance Trustee promptly after request.

## ARTICLE X

### Mortgagees

Section 1. Notices. Whenever so requested in writing by a Mortgagee, the Board of Directors promptly shall report to such Mortgagee

(i) any sixty (60) day delinquency in the payment of assessments due from the Unit owner of the mortgaged condominium Unit or in any other obligation of such Unit Owner under the Declaration or these Bylaws, and

(ii) any material damage to either such Unit or to the Condominium, and of any condemnation or similar proceeding which may affect the Mortgagee, and

(iii) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association, and

(iv) any proposed action that requires the consent of a specified percentage of Eligible Mortgagees under paragraph 14(b) of the Declaration.

Section 2. Representation at Association Meetings. All Mortgagees or their representatives shall be entitled to attend meetings of the Unit Owners' Association and shall have the right to speak thereat.

## ARTICLE XI

### Compliance and Default

Section 1. Unit Owners Subject to Condominium Act, Declaration, Bylaws and Rules and Regulations. All Unit Owners shall be governed by and shall comply with the provisions of the Condominium Act, the Declaration, these Bylaws, and the Rules and Regulations, of the same may be amended from time to time. In addition to the remedies provided by the Condominium Act, a default by a Unit Owner shall entitle the Unit Owners' Association, the Board of Directors on behalf of the Unit Owners' Association or an aggrieved Unit Owner to the relief as provided in this Section.

Section 2. Legal Proceedings. Failure to comply with any of the terms of the Declaration, Bylaws, and the Rules and Regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure if the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Unit Owners' Association, the Board of Directors, the Managing Agent or, if appropriate, by any aggrieved Unit owner and shall not constitute an election of remedies.

Section 3. Costs and Attorneys' Fees. In any proceeding arising out of any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorneys' fees as may be determined by the court and under applicable law.

Section 4. No Waiver of Rights. The failure of the Unit Owners' Association, the Board of Directors or a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Act, the

Declaration, these Bylaws, or the Rules and Regulations shall not constitute a waiver of the right of the Unit Owners' Association or such Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Unit Owners' Association or to any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Act, the Declaration, these Bylaws, or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such rights as may be granted to such party by the Condominium Act, the Declaration, these Bylaws or the Rules and Regulations, or at law or in equity. A suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosure or waiving the lien securing the same, and foreclosure shall be maintainable notwithstanding the pendency of any suit to recover a money judgment.

Section 5. Abatement and Enjoyment of Violations by Unit Owners. The violation of any Rule or Regulation adopted by the Board of Directors, or any breach of these Bylaws or the breach of any provision of the Condominium Act or the Declaration shall give the Unit Owners' Association the right, in addition to any other rights set forth in these Bylaws (i) to enter the Unit in which or as to which such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that constitutes such violation and the Board of Directors shall not thereby be deemed guilty in any manner of trespass, or (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach, as provided by law.

Section 6. Fines. The Board of Directors may levy reasonable fines against Unit Owners for violations of the Condominium Act, the Declaration, Bylaws, or the Rules and Regulations by the Unit Owner, the members of such Unit Owner's family, or such Unit Owner's guests, invitees, tenants, agents or employees. No fine may be levied for a single violation in an amount more than one percent of such Unit Owner's annual assessment. Each day a violation continues, after notice is given to the Unit Owner, is a separate violation. If a Unit Owner requests in writing a hearing before the fine is imposed, the imposition of the fine shall be suspended until the hearing is held. Fines are special assessments and shall be collected as such,

Section 7. Additional Liability. Each Unit Owner shall be liable to the Unit Owners' Association or to any affected Unit Owner for the expense of all maintenance, repair or replacement rendered necessary by such Unit Owner's act, neglect or carelessness or the act, neglect or carelessness of any member of such Unit owner's family or such Unit Owner's guests, invitees, tenants, agents or employees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any

increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation. Any costs, including without limitation legal fees, incurred as a result of a failure to comply with the Condominium Act, the Declaration, Bylaws, and the Rules and Regulations by an Unit Owner (or any member of such Unit Owner's family or such Unit Owner's guests, invitees, tenants, agents or employees) may be assessed against such Unit Owner's Unit.

## ARTICLE XII

### Miscellaneous

Section 1. Amendments. These Bylaws may be amended by the agreement of Owners of Units to which at least sixty-seven percent (67%) of the votes in the Unit Owners' Association appertain and in the manner provided by Section 42-1902.27 of the Condominium Act. No such amendment shall be effective until recorded among the Land Records of the District of Columbia. No amendment of these Bylaws may be adopted which shall be inconsistent with the provisions of the Condominium Act or the Declaration. An amendment once adopted and recorded as provided for herein shall then constitute part of the official Bylaws of the Condominium, and all Unit Owners shall be bound to abide by such modification or amendment. Anything herein to the contrary notwithstanding, and subject to any limitations imposed by the Condominium Act (with specific reference to Section 42-1903.02(a) thereof), and except as required to comply with the requirements of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans' Administration or any other governmental or quasigovernmental agency insuring or involved in the making or purchasing of Mortgages of any Unit,

(i) so long as the Declarant is the only Unit Owner, the Declarant may amend these Bylaws without the consent or approval of any party;

(ii) so long as the Declarant shall be the Unit Owner of Units representing more than twenty-five percent (25%) of the Percentage Interests in the Unit Owners' Association, Sections 2 and 9 of Article II, Sections 1 and 2 of Article III of these Bylaws shall not be amended without the consent in writing of the Declarant;

(iii) so long as the Declarant owns one or more Units, no amendment to these Bylaws shall be adopted that could unreasonably interfere with the sale, lease or other disposition by the Declarant of Unit(s) in the Condominium or that could abridge, modify, eliminate or otherwise affect any right,

power, easement, privilege or benefit reserved to the Declarant hereunder or which would impose any discriminatory charge or fee against the Declarant; and

(iv) no amendment to these Bylaws shall be adopted that could abridge, modify, eliminate or otherwise affect any privilege granted or reserved by the provisions of these Bylaws to Mortgagees.

Section 2. Availability of Condominium Documentation. The Board of Directors shall designate the Secretary of the Association or the Managing Agent to maintain copies of the Declaration, these Bylaws and the Rules and Regulations, as they may be amended from time to time. All such documents shall be available for inspection by the Unit owners, any Mortgage and any governmental or quasi-governmental agency insuring or guaranteeing or involved in the making or purchasing of Mortgages, during normal business hours and upon reasonable notice.

Section 3. Notices. Except as otherwise provided in these Bylaws, all notices, demands, bills, statements or other communications required or permitted under these Bylaws shall be in writing and shall be deemed to have been duly given if sent by United States mail, return receipt requested, first-class postage prepaid, or personally delivered, provided a receipt of acceptance of notice shall be obtained from the Unit Owner to whom notice shall be so sent, or otherwise as the Condominium Act may require or permit, (i) if to a Unit Owner, at the address that the Unit Owner shall designate in writing and file with the Secretary, or if no such address is designated, at the address of the Unit of such Unit Owner, or (ii) if to the Unit Owners' Association, the Board of Directors or the Managing Agent, at the principal office of the Managing Agent or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this Section. If a Unit is owned by more than one person, each person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

Section 4. Invalidity. The invalidity of any portion of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 5. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision hereof.

IN WITNESS WHEREOF, THE DECLARANT, TWELFTH & N STREET, LLC, has caused its name to be signed by its members (i) BARRETT M. LINDE BUILDERS, INC., which has caused its name to be signed by Barrett M. Linde, its President, and its corporate seal to be hereunto, attested by Barbara Wilkerson, its Secretary, and has appointed and does hereby appoint said Barrett M. Linde its attorney-in-fact to execute, acknowledge and deliver these presents in its behalf; and (ii) Steven B. Gewirz and Michael K. Gewirz, who have executed these Bylaws, all done the 7<sup>th</sup> day of August, 2002.

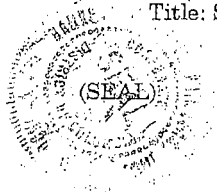
TWELFTH & N STREET, LLC, a District of  
Columbia limited liability company

ATTEST:

By: BARRETT M. LINDE BUILDERS,  
INC., a member

By: Barbara Wilkerson  
Name: Barbara Wilkerson  
Title: Secretary

By: Barrett M. Linde  
Name: Barrett M. Linde  
Title: President



By: Steven B. Gewirz  
Steven B. Gewirz, a member

By: Michael K. Gewirz  
Michael K. Gewirz, a member

STATE OF Maryland )  
COUNTY OF Calvert ) ss.

I, Barbara Wilkerson, a notary public in and for the State of Maryland, do hereby certify that Barrett M. Linde, who is named as attorney-in-fact for BARRETT M. LINDE BUILDERS, INC. the corporate party in the foregoing and attached Bylaws bearing date on the 7<sup>th</sup> day of August, 2002, personally appeared before me in said State of Maryland, the said Barrett M. Linde being personally well known to me as the person named as attorney-in-fact in said Bylaws for the said BARRETT M. LINDE BUILDERS, INC. and acknowledged said Bylaws to be the act and deed of said corporation, and that he delivered the same as such.

Given under my hand and official seal this 7<sup>th</sup> day of August, 2002.

Barbara A. Wilkerson  
Notary Public

My commission expires: 11/1/04



STATE OF Maryland )  
COUNTY OF Calvert ) ss.

This instrument was acknowledged before me on 7<sup>th</sup> Day 2002 by Steven B. Gewirz.

Given under my hand and official seal this 7<sup>th</sup> day of August 2002.

Barbara A. Wilkerson  
Notary Public

My commission expires: 11/1/04





STATE OF Maryland )  
 )  
COUNTY OF Calvert ) ss.

This instrument was acknowledged before me on 8/7, 2002 by Michael K. Gewirz.

Given under my hand and official seal this 7th day of August, 2002.

Barbara A. Wilkerson  
Notary Public

My commission expires: 11/1/04



Joinder of Trustees

The undersigned, Trustee under that certain Deed of Trust and Security Agreement ("Deed of Trust") from Twelfth & N Street, LLC, a District of Columbia limited liability company, to TRSTE, Inc., a Virginia corporation, trustee, dated as of June 26, 2002 and recorded July 1, 2002 as Instrument No. 2002076606 among the Land Records of the District of Columbia securing Wachovia Bank, National Association in the total amount of Two Million Dollars (\$2,000,000), hereby joins in the execution and delivery of the foregoing and annexed Amended and Restated Bylaws of Downtown I and II, A Condominium (the "Amended Bylaws"), for the purpose of subordinating the lien of the Deed of Trust to the Amended Bylaws.

ATTEST:

TRSTE, INC.,  
A Virginia Corporation

Gerrard Stevius  
Name: GERRARD STEVIUS  
Assistant Secretary

By: William A. Richardson (SEAL)  
William A. Richardson,  
Vice President

STATE OF VIRGINIA )  
COUNTY OF FAIRFAX ) ss.

I HEREBY CERTIFY that on this 10th day of September, 2002, before me, the subscriber, a Notary Public of the jurisdiction aforesaid, personally appeared William A. Richardson, and acknowledged himself to be a Vice President of TRSTE, INC., a Virginia corporation, and acknowledged that he, being authorized so to do, executed the foregoing document in the aforesaid capacity for the purposes therein contained.

IN WITNESS MY Hand and Notarial Seal.

My Commission Expires:

9/30/03

Kathleen F. Deherty (SEAL)  
NOTARY PUBLIC

443

Doc# 2002108524

Book: —

Pages: —

Filed & Recorded

09/19/2002 10:45:18 AM

HENRY RILEY

RECORDER OF DEEDS

WASHINGTON D.C. RECORDER OF DEEDS

RECORDING \$ 229.00

SURCHARGE \$ 5.00

**PURCHASER SHOULD READ THIS DOCUMENT  
FOR HIS OR HER OWN PROTECTION  
AMENDED AND RESTATED JUNE 24, 2002**

**PUBLIC OFFERING STATEMENT**

NAME OF CONDOMINIUM:	Downtown I and II, A Condominium
LOCATION OF CONDOMINIUM:	1201-1207 N Street, N.W., 1225-1227 N Street, N.W., and 1306-1308 12th Street, N.W. Washington, D.C.
LOT: Lots 30 and 31 SQUARE: 280	ANC NUMBER: 2C
NAME OF DECLARANTS:	Twelfth & N Street, LLC, a District of Columbia limited liability company
ADDRESS OF DECLARANT:	3824 Klinge Place, N.W. Washington, D.C. 20016
EFFECTIVE DATE OF PUBLIC OFFERING STATEMENT:	Original Date: February 28, 1989 Amended and Restated Date: June 24, 2002
REGISTRATION NO.:	704, 705 and 1613

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 Public Offering Statement is the means by which such disclosure is to be made. In the event of any misrepresentations made herein, the purchaser shall notify the Chief, Condominium and Cooperative Conversion and Sales Branch, D.C. Department of Consumer and Regulatory Affairs, 941 North Capitol Street, N.E., Room 7238, Washington, D.C. 20002.

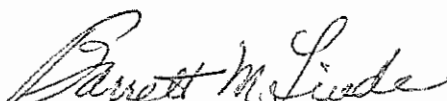
No declarant may dispose of any interest in a condominium unit unless there is delivered to the purchaser a current public offering statement by the time of such disposition and such disposition is expressly and without qualification or condition subject to cancellation by the purchaser within fifteen (15) days after the contract date of such disposition, or within fifteen (15) days after delivery of the current public offering statement, 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.

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

**AFFIDAVIT**


Barrett M. Linde, being duly sworn deposes and says: that the statements herein contained and the documents submitted are true and complete, and that Barrett M. Linde Builders, Inc., a District of Columbia corporation, is one of the members of the Declarant of the condominium project described herein, and that he is the officer or agent authorized by the declarants to submit this Public Offering Statement.

BARRETT M. LINDE BUILDERS, INC.,  
a District of Columbia corporation

By   
Barrett M. Linde, President

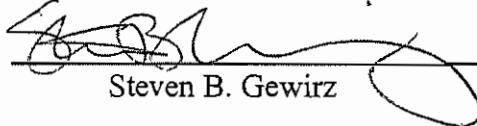
STATE OF Maryland )  
COUNTY OF Calvert ) ss

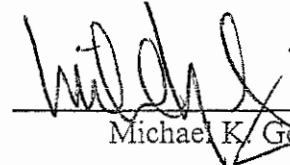
Subscribed and sworn to before me this 27 day of June, 2002.

  
Notary Public

My commission expires: 11/1, 2004.

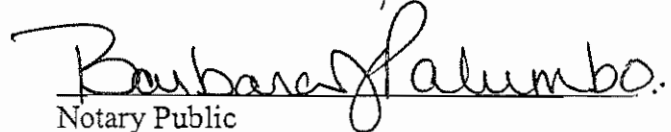
Steven B. Gewirz and Michael K. Gewirz, being duly sworn deposes and says: that the statements herein contain in the documents submitted are true and complete, that they are two of the members of the Declarant of the Condominium Project described herein and that they are authorized to submit this Public Offering Statement.

  
Steven B. Gewirz

  
Michael K. Gewirz

STATE OF Rhode Island )  
 ) ss  
COUNTY OF Newport )

Subscribed and sworn to before me this 1 day of July, 2002.

  
Notary Public

My commission expires: BARBARA J. PALUMBO, 2005  
Notary Public

My Commission expires 7-23-2005  
ID# 48466



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## EXHIBITS

- 1 Condominium Plat and Plans



- 2      (a)      Merger of Condominiums and Amendment and Restatement of Declaration of  
                 Condominium [includes Percentage Interests (Exhibit A)]
- (b)      Amended and Restated Bylaws
- 3      Projected Operating Budget
- 4      Condominium Unit Purchase Agreement
- 5      Sample Deed
6.      Engineer's Report
7.      Management Agreement
8.      Warranty for Units and Common Elements

## **I. THE CONDOMINIUM CONCEPT**

### **A. Condominium Ownership**

Condominium ownership is a property right which combines older forms of ownership. The condominium unit owner is the sole owner of the portion of the building which comprises his or her living quarters but also one of many mutual owners of common facilities which service his or her and other living (or business) quarters and of common areas which the unit owner may use and enjoy along with other unit owners. Each unit owner has an "undivided interest" in the common elements which means that all unit owners have a share in the ownership of all common elements. Such undivided interest gives the unit owner the right to share in the control of all common elements; the unit owner must also pay his or her 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.

## **II. THE DECLARANT**

### **A. Applicant**

The Declarant is Twelfth & N Street, LLC, a District of Columbia limited liability company formed June 2002. The members of Declarant are Barrett M. Linde Builders, Inc., Steven B. Gewirz and Michael K. Gewirz. The principal office of the Declarant in the District of Columbia is located at 3824 Klinge Place, N.W., Washington, D.C. 20016.

### **B. Owners of 10% or More of Stock of Declarant**

Barrett M. Linde is 100% owner of Barrett M. Linde Builders, Inc. and 50% of the project  
Steven B. Gewirz and Michael K. Gewirz each own a 25% interest in the project

### **C. Attorneys**

The law firm of Holland & Knight, LLP, 2099 Pennsylvania Avenue, N.W., Suite 100, Washington, D.C. 20006, to the attention of Norman M. Glasgow, Jr., Attorney, represents the Declarants with respect to the preparation of condominium documents and general advice regarding the Condominium. The Unit Owners' Association may retain its own counsel.

### **D. General Contractor**

Barrett M. Linde Builders, Inc., 3824 Klinge Place, N.W., Washington, D.C. 20016.

### **E. Subcontractors**

The major subcontractors for the Condominium are identified, by type of trade, below.

Plumbing

Pete & Sons Plumbing & Heating  
Rt. 2, Box 684  
King George, Virginia 22485

Roofing

W&W Roofing  
6362 Hillcrest Place  
Alexandria, VA 22312

Appliances

General Electric Corporation  
8201 Stayton Drive  
Jessup, MD 20794

Heating and Air Conditioning

Adams Heating & Air Conditioning  
12216 Distribution Place  
Beltsville, MD 20705

Electrical

Spartan Electric Company  
10620 Seneca Spring Way  
Montgomery Village  
Gaithersburg, MD

F. Engineers

The engineers for the Condominium are identified, by specialization, below.

Structural Engineer

Keller, Marchigiani & Wolfman  
8720 Georgia Avenue  
Silver Spring, MD 20910

Mechanical Engineer

Oh & Chen Associates  
11900 Parklawn Drive  
Rockville, MD 20852

Civil Engineer

James W. Heltman, P.E.  
2717 Rittenhouse Street, N.W.  
Washington, D.C.

G. Architect

Dreyfuss-Henry Associates  
1012 – 14<sup>th</sup> Street, N.W., #801  
Washington, D.C. 20005

With respect to items D through G of this Section II, this information is as of the date the Condominium was constructed. The Declarant has been leasing this project since 1989 and the information set forth in paragraphs D through G should not be deemed to be current as of the date of this Amended Public Offering Statement.

**III. DESCRIPTION OF THE CONDOMINIUM**

Downtown I and II is a residential condominium which contains fifty (50) units and related Common Elements. Construction was completed in February 1989 and the Condominium has been used as a rental project. All units contain a living room, dining area, fireplace, bath and equipped kitchen. There are forty-one (41) one-bedroom units and nine (9) two-bedroom units.

All units have individual electrical heat and air conditioning and these utilities are separately metered. Each unit owner will be responsible for his or her utility bills.

The condominium will have seventeen (17) parking spaces. These spaces will be limited common elements and will be assigned to those unit owners who purchase the spaces. Limited common elements cannot be sold separately from the units to which they are assigned. Parking spaces, however, may be leased or reassigned by the owners of the units to which they are assigned to other owners of units in the condominium.

The condominium is the result of a merger of two condominiums, one known as Downtown I and one known as Downtown II.

A. The Units

Each unit consists of the space and elements located between the horizontal and vertical boundaries as more fully described on the Plats and Plans. These boundaries are the interior finished surfaces of the horizontal and vertical perimeter walls of each unit, i.e., the walls separating the unit from other units, the exterior of the building, or interior hallways in the building. Thus, a unit does not include its perimeter walls (except as provided below) but does include all doors, windows, dry-wall, partitions, fixtures and any material constituting any part of the finished surface thereof. The perimeter walls are considered part of the common elements, except with respect to ducts, etc., that are part of the heating or air conditioning systems of each unit, which appertain to that unit. The fireplace in each unit (including the hearth and that portion of the chimney and flue located within the boundaries of the Unit) is also a part of that unit.

The location and boundaries of each unit are more particularly shown in the Plats and Plans (See Exhibit 1).

## B. The Common Elements

The Common Elements of the Condominium consist of General Common Elements and Limited Common Elements. All Common Elements have been completed.

### 1. General Common Elements

The General Common Elements are shown on the Plat and consist of the entire Condominium other than the Units and the Limited Common Elements, and include without limitation the following:

- (a) The Land;
- (b) All foundations, columns, girders, beams and supports of the Building not included as parts of Units or Limited Common Elements;
- (c) All exterior masonry walls and facings, the roof, and all partitions separating Units not included as parts of Units;
- (d) The courtyard, driveways, walkways and all other common hallways and areas, including without limitation the mailbox area (but exclusive of mailboxes), located in the Building;
- (e) The stairwells;
- (f) All landscaped areas not included as part of Limited Common Elements;
- (g) All pumps, pipes, wires, cables, conduits and other apparatus relating to the water distribution, power, light, telephone, gas, sewer, heating, air conditioning and plumbing systems not included as parts of Units or Limited Common Elements;
- (h) All apparatus and installations existing or hereinafter constructed in the Building or on the Land for common use, or necessary or convenient to the existence, the common maintenance or safety of the Condominium.

### 2. Limited Common Elements

The Limited Common Elements consist of those Common Elements which are described as such on the Plat and on the Plans, and are reserved for the use of specific Units to the exclusion of all other Units. The Limited Common Elements include without limitation the following:

- (a) Parking spaces which are reserved for the exclusive use of unit owners who purchase them;
- (b) The flues, and intake combustion air ducts serving Units (which are reserved for the exclusive use of the Unit served by each such flue and air duct);

(c) Stairways which are reserved for the exclusive use of the units adjacent to them;

(d) All mailboxes (each of which shall be reserved for the exclusive use of the Unit to which it is assigned).

(e) Patios

Limited Common Element parking spaces may be leased to any Unit Owner by the Unit Owner of the Unit to which such space from shall be assigned, or reassigned to any Unit in accordance with the provisions of the Condominium Act by such Unit Owner.

### 3. Percentage Interests

The Declaration allocates to each Unit an undivided interest ("Percentage Interest") in the Common Elements based upon the relative size (in approximate square feet) of each Unit in the Condominium compared to all Units in the Condominium. The voting rights in the Association and the obligation of Unit Owners to bear Common Expenses are proportionate to the respective Percentage Interests of Units. See the Subsection of this Public Offering Statement captioned "The Unit Owners' Association."

#### C. Warranties

The Condominium has been used as a rental project since 1989. Accordingly, the Declarant intends to offer the units and the common elements in their "as is" condition. However, as set forth in paragraph IIIF below, the Declarant may undertake to make improvements to the kitchens, including kitchen appliances. To that extent, the Declarant will provide a warranty as set forth on Exhibit 8 attached hereto and made a part hereof.

#### D. Compliance with Zoning, Housing and Building Codes

The Condominium will comply with all zoning ordinances, housing codes, building codes and similar laws affecting the Condominium. The building permits for the Condominium were issued on various dates during 1987. Occupancy permits were issued in 1989. The Condominium is currently zoned R-5-C.

#### E. Construction of the Condominium

Construction of the Condominium commenced in 1987, and was fully completed on or about February, 1989. The initial cost to construct the Condominium was \$2,700,000. The Plat and the Plans of the Condominium which clearly locate all Units, the Building and all Common Elements are attached as Exhibit 1 to this Public Offering Statement. As set forth in Section IIIF, Declarant has reserved the right to make certain improvements to the kitchens. It is not expected that the cost of these improvements will exceed \$50,000.00. In addition, Declarant will make certain repairs in the amount of approximately \$60,000.

**F. Condition of the Structure.**

The Building has been used as a rental project since 1989. No renovation or improvements will be done to the Building or the units prior to sale. However, the Declarant will make those repairs set forth in Section IV of the inspection report attached as Exhibit 6, including a roof over the existing roof. The repairs are expected to cost approximately \$60,000. The Declarant, further reserves the right (but does not undertake the obligation) to make certain improvements to the kitchens, including the kitchen appliances.

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 structures, are summarized in engineers report attached hereto as Exhibit 6 to this Public Offering Statement. Lives listed in that report are estimated average lives. For each category, it is anticipated that individual failures may occur before the end of the life term indicated in the engineer's report. No express or implied warranty shall be inferred from the Schedule of Estimated Lives and the Declarant does not represent the years of useful life remaining or that any items will have the useful life listed in the engineer's report. Replacement costs are based on current prices and do not include extensive renovation, demolition or general construction which may be required. In addition, all estimates assume proper repair and routine preventive maintenance.

**IV. THE DECLARATION AND THE BYLAWS**

Set forth below is a summary of the contents of the Declaration of the Condominium and the Bylaws of the Unit Owners' Association. A copy of the Declaration and the Bylaws of the Condominium are attached to this Public Offering Statement as Exhibit 2.

**A. In General**

The Condominium was created in accordance with the provisions of the District of Columbia Condominium Act by the recordation among the Land Records of the District of Columbia of a Declaration, together with plats of survey and plans, and Bylaws providing for the self-government of the Condominium by the Unit Owners' Association (the "Association"). Copies of the recorded Declaration and Bylaws, and any and all amendments thereto are attached hereto as Exhibit 2.

The Declaration submits the land and improvements comprising the Condominium, to the provisions of the District of Columbia Condominium Act, describes and/or delineates the boundaries of the Units and Common Elements, and allocates to each Unit an undivided interest ("Percentage Interest") in the Common Elements. The Declaration also contains substantive and procedural provisions relating to the rights of Mortgagees, creates certain easements and reserves for the Declarant the right to rent any Units which are not sold.

The Bylaws contain the rules for the structure of the Unit Owners' Association and for the operation and management of the Condominium. Specifically, with respect to the structure of the Association, the Bylaws set forth the rules concerning how and when meetings of the Unit Owners' Association and the Board of Directors of the Association are to be called and held, provide how voting rights are determined and how voting takes place, describe how the Board of

Directors will be comprised, how it will function and what its responsibilities will be, and designate the officers of the Association, their duties and the rules for their election, removal and replacement. With respect to the operation of the Condominium, the Bylaws set the fiscal year, provide the rules concerning the budget and financial affairs of the Condominium, including the levying and collecting of general and special assessments, and designate which matters are the responsibility of the individual Unit Owners. Provisions regarding required insurance also are included in the Bylaws, as are the rules governing what actions are to be taken in the event of fire or other casualty. Finally, the Bylaws contain both substantive and procedural provisions relating to the rights of Mortgagees and the Declarant, collection of assessments (and the lien therefor), amendments, and the like.

The Declaration and Bylaws may be amended only by the vote of Unit Owners to which at least sixty-seven percent (67%) of the votes in the Condominium appertain and in certain instances a specified percentage of Mortgagees, provided, that the Declaration and the Bylaws, as well as certain specific provisions thereof, may not be amended to modify the Declarant's rights without the consent of the Declarant or to modify Mortgagee's rights.

The foregoing is only a summary and is expressly limited by reference to the documents. In addition, other sections of this Public Offering Statement discuss in further detail certain particular provisions of the condominium instruments.

#### B. Encumbrances

There is no covenant, easement, license, servitude or other instrument or arrangement by which any party other than the Unit Owners' Association (or its Board of Directors or officers acting for and on behalf of the Unit Owners' Association) or a managing agent may restrict a Unit Owner's use and enjoyment of his or her Unit or is empowered to do anything to be done on or to an individual Unit except for such common law rights as may exist between Unit Owners who have in common party walls, common utility lines and the like, and except for the requirement that Unit Owners grant a right of access to other Unit Owners and to any person authorized by the Board of Directors or managing agent to inspect any Unit or correct any condition threatening another Unit or the Common Elements (Bylaws, Article VI, Section 2). See also paragraphs C and E of this section for a description of certain restrictions on alienation and use of the Units prescribed by the condominium instruments.

The following are the significant terms of encumbrances, liens and matters of title affecting the right, title or interest of the Declarant, as of the date of this Public Offering Statement, in any portion of the Condominium:

1. Deed of Trust to be granted to secure First Union Bank.
2. Taxes not yet due and payable.

As required by Section 42-1902.02(a) of the Condominium Act, at the time of the first conveyance of a Unit following recordation of the Declaration, every deed of trust and other perfected lien, or any mechanics' or materialmen's lien(s) affecting the Condominium (other than the lien of the purchaser's mortgage, if any) will be paid, discharged and satisfied of record



by the Declarant, or the Unit conveyed (together with its undivided interest in the Common Elements) will be released of record from all such liens not so paid and satisfied.

C. Restraints on Alienation

There are no restraints (i.e., first refusal or pre-emptive rights) on the transfer or resale of a Unit by a Unit Owner, except that Units cannot be separated from their undivided interests in the Common Elements. In addition, Section 42-1904.11 of the Condominium Act requires a Unit seller (other than the Declarant) to obtain from the Unit Owners' Association and to furnish to his or her purchaser certain statements. Any Purchaser who resells a Unit should refer to the foregoing statutory provision. With respect to the rental of Units, paragraph (c) of Section 4, Article VI of the Bylaws provides that no Unit shall be leased or rented for an initial period of less than six (6) months or otherwise for transient purposes. In addition, each Unit Owner other than the Declarant, promptly following the execution of a lease for a Unit, shall forward a conformed copy thereof to the Board of Directors. Finally, all leases must provide that the rights of the tenant(s) thereunder in all respects shall be subordinate to the provisions of the Condominium Act, the Declaration and the Bylaws.

D. Secondary Mortgage Market

The documents which will create and maintain the Condominium have been designed to comply with the guidelines pertaining to Condominiums imposed by the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), agencies which maintain a secondary market for condominium unit mortgages, and the Veterans Administration (VA) and the Federal Housing Administration (FHA), federal agencies which insure or guarantee mortgages. As of the effective date of this Public Offering Statement, the Declarant has not obtained the approval of such documents or the Condominium from FHLMC, FNMA, VA or FHA and makes no representation or warranty that any such approval will be sought, or, if sought, obtained.

E. Restrictions on Use

All residential Units are restricted to residential use, except that the Declarant has reserved the right to use the Units it owns or leases and the Common Elements for sales, model, rental and other purposes and to display signs thereon. The Bylaws also prohibit, among other things, acts on or to any part of the Condominium which would result in increased insurance costs or cancellation of insurance, which would be wasteful, which are immoral, improper, offensive or unlawful, or which would impair the structural integrity of any part of the Condominium. Moreover, nothing may be altered, constructed in or removed from the Common Elements without the written consent of the Board of Directors, and the Common Elements may be used only for the purposes for which they are reasonably suited and which are incident to the use and occupancy of the Units. Household pets in reasonable numbers will be allowed if they do not disturb other owners, and otherwise conform to the requirements of the Bylaws.

The foregoing is only a summary of certain provisions of the Bylaws and is expressly limited by reference to the documents. The Bylaws should be carefully reviewed in their entirety.

## **V. OPERATION OF THE CONDOMINIUM**

### **A. The Unit Owners' Association**

#### **1. Organizational Structure**

Under Section I of Article II of the Bylaws, the Unit Owners' Association will be an unincorporated association comprising all of the Unit Owners in the Condominium.

#### **2. Declaration of Powers and Responsibilities**

Under the Bylaws, the affairs of the Condominium be managed by a Board of Directors. All members of the Board Directors must be Unit Owners (or employees, officers, partners designees of Unit Owners who are not natural persons), or designee(s) of the Declarant. The primary officers of the Association will be a President and a Vice President, a Secretary and a Treasurer. All officers of the Association will be appointed by the Board of Directors. The Board of Directors may delegate to the Managing Agent all or substantially all authority which may be delegated to the Managing Agent, including, without limitation, the collection of assessments due from Unit owners, maintenance and repair of the Common Elements, preparation of all forms and reports which the Condominium is required to file (except income tax returns), preparation and maintenance of records of all receipts and disbursements of the Unit Owners' Association, assistance in the preparation of an annual budget for the Condominium for submission to the Unit Owners' Association and information and advice to all Unit Owners of the state of affairs of the Condominium.

#### **3. Voting**

The vote to which each Unit will be entitled at all meetings of the Unit Owners' Association at which voting by the Unit Owners is required or permitted will be the Percentage Interest allocated to such Unit. Except to the extent otherwise permitted under the Bylaws, the presence in person or by proxy of Unit Owners holding fifty percent (50%) of the outstanding votes in the Association will constitute a quorum at and throughout all meetings of the Unit Owners' Association and, unless otherwise provided, or except in the case of the election of members of the Board of Directors, the vote of Unit Owners of Units to which more than fifty percent (50%) of the votes present, in person or by proxy, at a meeting of the Unit Owners' Association at which a quorum is present will be binding upon all Unit Owners. Except for members designated by the Declarant or elected by Unit Owners other than the Declarant as described in paragraph numbered 4 of this Subsection A, members of the Board of Directors shall be elected by plurality vote.

#### **4. Declarant Control**

The Declarant has reserved the maximum right under the Condominium Act to designate members of the Board of Directors and, accordingly, to appoint the offices of the Association. Subject to subparagraph (iv) of this paragraph 4:

(i) Until the time Units representing twenty-five percent (25%) of the Percentage Interests in the Condominium shall have been conveyed by the Declarant, the Board

of Directors shall be composed of three (3) members, each of which members shall be designated by the Declarant.

(ii) At the time Units representing twenty-five percent (25%) of the Percentage Interests in the Condominium shall have been conveyed by the Declarant, a special meeting of the Unit Owners' Association shall be held, the Board of Directors shall be increased to four (4) members and one (1) member of the Board of Directors shall be elected by the affirmative vote of more than fifty percent (50%) of the outstanding votes of all Unit Owners other than the Declarant. The member so elected shall serve until the special meeting described in subparagraph (iv) of this paragraph 4.

(iii) At the time Units representing fifty percent (50%) of the Percentage Interests in the Condominium shall have been conveyed by the Declarant, a special meeting of the Unit Owners' Association shall be held, the Board of Directors shall be increased to five (5) members and one (1) member of the Board of Directors shall be elected by the affirmative vote of more than fifty percent (50%) of the outstanding votes of all Unit Owners other than the Declarant. The member so elected shall serve until the special meeting described in subparagraph (iv) of this paragraph 4.

(iv) Before the earlier to occur of the time Units representing seventy-five percent (75%) of the Percentage Interests in the Condominium shall have been conveyed by the Declarant or the date of expiration of two (2) years from the date the first Unit in the Condominium shall have been conveyed by the Declarant, a special meeting of the Unit Owners' Association shall be held, the Board of Directors shall be reduced to three (3) members and all members of the Board of Directors (consisting of the three (3) members designated by the Declarant and the two (2) members elected by Unit Owners other than the Declarant) shall resign and all three (3) members of the Board of Directors shall be elected by all Unit Owners, including the Declarant, to the extent that Declarant then owns any Units. Each person receiving the first and second highest number of votes shall be elected for a term of two (2) years and the person receiving the third highest number of votes shall be elected for a term of one (1) year, in each case, plus the number of days remaining between the date of such special meeting and the date of the next succeeding annual meeting of the Unit Owners' Association.

##### 5. Initial Directors and Officers

The initial members of the Board of Directors and initial officers of the Unit Owners' Association together with relationship of such persons to the Declarant, are as follows:

<u>Name</u>	<u>Capacity</u>	<u>Relationship</u>
Barrett M. Linde	President	President of Declarant, Barrett M. Linde Builders, Inc., a member of Declarant
Steven B. Gewirz	Vice President Treasurer	A member of Declarant
Michael K. Gewirz	Secretary	A member of Declarant

B. Management

The Board of Directors is required under the Bylaws to employ a professional Managing Agent; self-management is prohibited. The Managing Agent shall be Frank Emmet Real Estate, Inc., 8609 Second Avenue, Suite 502, Silver Spring, Maryland 20910.

The Managing Agent will maintain contact with the Board of Directors primarily by communicating with the liaison Director appointed for such purposes. The Managing Agent will hire as employees of the Condominium and at the expense of the Unit Owners' Association all personnel necessary for the operation, maintenance and repair of the Condominium. Unless terminated pursuant to its terms, it is intended that the Management Agreement will remain in effect for one (1) year following the date upon which the Declarant conveys the first Unit to a Purchaser and will be renewed for successive terms of one (1) year each, unless either party has given notice of intent to terminate prior to thirty (30) days before the end of the term. The Management Agreement will also provide for the termination by the Unit Owners' Association for cause upon thirty (30) days' written notice and without cause or any termination fee by either party on sixty (60) days' written notice. The Unit Owners' Association will indemnify and hold harmless the Managing Agent against damages, liabilities, costs and expenses arising during the performance of its management duties on behalf of the Unit Owners' Association, except when due to the gross negligence or willful misconduct of the Managing Agent or its employees. A copy of the management agreement is attached hereto as Exhibit 7.

C. Financial Matters

1. Projected Operating Budget

Attached hereto as Exhibit 3 is a Projected Operating Budget for the Condominium which Budget includes provisions for Common Expenses, and a reserve for capital. The estimates contained in the Budget have been prepared in good faith by the Declarant. Notwithstanding the foregoing, it is not possible to determine exactly the prospective costs of operating the Condominium due to the variable nature of the costs of labor and services, utilities, and general inflationary factors. Moreover, services in addition to those provided for by the Budget may be deemed desirable by the Unit Owners. Prospective purchasers should be aware that numerous circumstances, only few of which are mentioned above, could result in a need for increased assessments.

2. Financial Disclosure

There will be no fee, rental or similar charge payable to the Declarant, the Managing Agent or the Unit Owners' Association for the use or enjoyment of any of the Common Elements (except such portion of the annual assessment for Common Expenses which is attributable thereto), and the Declarant will not be required to pay any special fee or charge (other than its payment of Common Expenses for Units it owns) for its use, if any, of the Common Elements. The Declarant shall be obligated to pay all assessments levied against all Units from time to time owned by the Declarant.

Each Unit Owner will be required to bear the cost of all repairs to the General Common Elements and/or to the structural components of the Limited Common Elements necessitated by

his or her negligence, misuse or neglect. In addition, each Unit Owner at the Unit Owner's expense is required to perform normal maintenance to the Limited Common Elements assigned to his or her Unit, including keeping them in a clean and sanitary condition, free and clear of snow, ice and any accumulation of water and debris. Except as provided above, the costs of maintaining, repairing, operating and replacing the General Common Elements, maintaining and repairing the structural components of Limited Common Elements, are Common Expenses of the Unit Owners' Association.

### 3. Liability for Common Expenses; Working Capital Fund; Special Assessments; Lien for Assessments

The Common Expenses of the Condominium are allocated among and assessed against each Unit in proportion to the respective Percentage Interest of such Unit. No Unit owner may exempt himself or herself from liability for assessments by waiving use of any of the Common Elements or by abandonment of his or her Unit. The Bylaws also provide for

(i) the assessment of special assessments at any time or from time to time in order to defray, in whole or in part, extraordinary expenditures, or the cost of any construction, reconstruction or replacement of the Common Elements, if at any time reserves established shall be inadequate for any reason, and

(ii) a one time payment made by each purchaser of the Declarant, payable upon settlement of such purchaser's Unit and in an amount equal to twice the then monthly installments for Common Expenses assessed against such Unit.

The Bylaws provide that if a Unit Owner does not pay assessments on time, the assessment for Common Expenses for the entire year may be accelerated and become due and payable at once. The Bylaws also provide that any past due assessments will bear interest at the maximum contract rate permitted by law. Under the provisions of the Condominium Act, the Board of Directors on behalf of the Unit Owners will have a lien on each Unit for unpaid assessments levied against such Unit by the Board of Directors, which lien, if unsatisfied, may be enforced by foreclosure or other legal remedies as provided by any law. Such lien, however, will be subordinate to the liens for real property taxes on the Unit and any sums unpaid on a first mortgage of record on such Unit.

## **VI. UNIT PURCHASE**

### A. Purchase Agreement

The Purchaser has the unqualified right to cancel the Purchase Agreement for a period of fifteen (15) days following the later to occur of the execution of the Purchase Agreement by the Purchaser or the receipt of a Public Offering Statement. Each prospective purchaser is urged to review with care each and every provision of the Purchase Agreement included as Exhibit 4 to this Public Offering Statement and to seek legal counsel with respect to the same. The written Purchase Agreement supersedes all other written or oral agreements or understandings.

## B. Financing

A Purchaser either may obtain financing from any lender or may pay the entire purchase price from the Purchaser's funds in banks or on hand at settlement. The Declarant is not obligated to assist any Purchaser in obtaining financing. However, the Declarant intends to use its best efforts to obtain a commitment or commitments from savings and loan associations, banks or other institutional lenders to provide a number of first mortgage loans to qualified purchasers. There can be no assurance, however, that the Declarant will obtain such a commitment or commitments. If the Declarant does obtain a financing commitment(s), information on sources of financing available from time to time will be kept on file in the sales office. The Declarant does not warrant the performance of any lender under any such commitment(s). Failure of the Purchaser to apply for his or her loan in a timely manner will give the Declarant the right to cancel the Purchase Agreement and retain the Purchaser's deposit as liquidated damages. In the event Purchaser is unable to obtain financing, the Purchase Agreement will be cancelled and the Purchaser's deposit shall be returned without further obligation on either party.

Under lending practices generally in effect as of the effective date of this Public Offering Statement, conventional loans, secured by a mortgage or deed of trust on the Unit financed, are available in amounts up to the maximum allowed by FHLMC. Actual loan amounts will depend on the particular lender, and upon the qualifications of each particular borrower. Interest rates and loan terms are not guaranteed. Where the ratio of the value exceeds 80%, lenders require the borrower to obtain private mortgage insurance from an insurance company to be selected by the lender. Credit report fees and appraisal fees (at costs determined by each lender) generally are payable by the Purchaser. All financing (and the particular terms thereof, including provisions relating to acceleration upon default, prepayment privileges and penalties, tax and/or insurance escrow requirements, and the like) from whatever source is subject to the qualifications of each particular borrower and to the actual terms and conditions of the loan commitment or documents.

## C. Deed of Conveyance

The Units will be sold by the Declarant, in fee simple, to Purchasers who may be individuals, partnerships, corporations or any other entity capable of holding title to real property. Units will be sold together with their respective undivided interests in the Common Elements. Marketable title to each Unit and its appurtenant interests in the Common Elements will be conveyed by the Declarant by special warranty deed, free and clear from all liens and encumbrances, except (i) all Condominium Instruments, as such term is defined in the Purchase Agreement, (ii) zoning and subdivision regulations and ordinances, (iii) sewer, water, electric, telephone and other public or private utility easements, rights of way or covenants, (iv) easements, if any, created or to be created prior to or after settlement in favor of utility companies or municipal authorities and/or for the benefit of the Condominium, (v) the standard printed exceptions and the conditions and limitations contained in an owner's policy of title insurance issued by the title insurance company insuring title to the Unit, and (vi) real estate taxes and assessments not yet due and payable. A form deed of conveyance is included in this Public Offering Statement as Exhibit 5.

#### **D.     Closing Costs**

Except for the cost of preparing the deed, settlement fees and District of Columbia Transfer Taxes which shall be paid by the Declarant, Purchasers shall pay all closing costs including, but not limited to District of Columbia Recordation Taxes, title insurance and loan closing costs. At settlement, Purchasers will also be required to pay all prepaid or proratable items (taxes, insurance, condominium fees and reserves). The Purchaser will also be required to pay an amount equal to two month's estimated Condominium assessment on the Unit for the initial working capital of the Condominium.

#### **VII.   FURTHER INFORMATION**

The Exhibits which follow this presentation provide a more detailed description of the Condominium and the rights and obligations of Unit Owners. In the event there is any inconsistency between such Exhibits and this presentation, the Exhibits will govern. Each prospective Purchaser should review the Exhibits carefully and discuss any questions with his or her attorney.

Any information, data or representation not referred to in this presentation and not contained in the various Exhibits following this presentation may not be relied upon. No person has been authorized by the Declarant to make any representation which is not expressly contained in this Public Offering Statement. Further, because of the complexity and interdependence of this presentation, and the Exhibits following this presentation, all sales personnel are prohibited from changing any of the terms or conditions thereof or attempting to interpret their legal effect. This presentation may not be changed or modified orally.

WAS1 #1086960 v5

# INSURANCE INFORMATION





DOWNI&amp;I-01

JER3

## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

04/07/2017

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Associated Insurance Management, Inc. 1300 Spring Street Suite 300 Silver Spring, MD 20910	<b>CONTACT NAME:</b> Please Send	
	<b>PHONE (A/C, No, Ext):</b> (301) 587-4200	<b>FAX (A/C, No):</b> (866) 214-5944
	<b>E-MAIL ADDRESS:</b> edocs@aimcommercial.com	
	<b>INSURER(S) AFFORDING COVERAGE</b>	
	<b>INSURER A :</b> Harford Mutual Insurance Co.	
	<b>NAIC #</b> 14141	
<b>INSURED</b> The Downtown I & II, A Condominium c/o Tilton Bernstein Management, Inc. 1827 14th Street, NW Washington, DC 20009	<b>INSURER B :</b>	
	<b>INSURER C :</b>	
	<b>INSURER D :</b>	
	<b>INSURER E :</b>	
	<b>INSURER F :</b>	

## COVERAGES

## CERTIFICATE NUMBER:

## REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:			9162857	05/15/2017	05/15/2018	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			9162857	05/15/2017	05/15/2018	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 0			7974277	05/15/2017	05/15/2018	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y / N If yes, describe under DESCRIPTION OF OPERATIONS below		N / A				PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Fidelity Bond			9162857	05/15/2017	05/15/2018	Deductible: \$250 150,000
A	Blanket Building			9162857	05/15/2017	05/15/2018	Deductible: \$1,000 9,382,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
Washington, DC 20005

The fidelity bond coverage includes the property management company, Tilton Bernstein Management, Inc.

Total Number of Units: 52

Additional Property Coverages:  
SEE ATTACHED ACORD 101

## CERTIFICATE HOLDER

## CANCELLATION

FOR INFORMATIONAL PURPOSES  
Please send requests to:  
Email: condocerts@aimcommercial.com  
Fax: 877 733-1203

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE



## ADDITIONAL REMARKS SCHEDULE

AGENCY <b>Associated Insurance Management, Inc.</b>		NAMED INSURED <b>The Downtown I &amp; II, A Condominium c/o Tilton Bernstein Management, Inc. 1827 14th Street, NW Washington, DC 20009</b>	
POLICY NUMBER <b>SEE PAGE 1</b>			
CARRIER <b>SEE PAGE 1</b>	NAIC CODE <b>SEE P 1</b>		
		EFFECTIVE DATE: <b>SEE PAGE 1</b>	

## ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,  
FORM NUMBER: ACORD 25 FORM TITLE: Certificate of Liability Insurance

## Description of Operations/Locations/Vehicles:

Company: Harford Mutual Insurance Company

Policy Number: 9162857

Effective: 5/15/2017 to 5/15/2018

## Building Ordinance or Law:

Undamaged Portion of Building: Included in Building Limit

Demolition: \$100,000 Limit Each Building

Increased Cost of Construction: \$250,000 Limit Each Building

## Equipment Breakdown:

Limit: Included

Deductible: \$1,000

## Directors &amp; Officers Liability:

Company: Travelers Casualty &amp; Surety Company of America

Policy Number: 105927990

Effective: 5/15/2017 to 5/15/2018

\$1,000,000 Limit, \$2,500 Retention

The master policy provides coverage for improvements within the units as originally conveyed by the developer (original specifications). Improvements subsequently installed by unit owners at their own expense are not covered. 100% replacement cost subject to the scheduled limit. Subject to terms and conditions of the policy. Severability of interest applies.

# RESERVE REPORT

# ***REPAIR & REPLACEMENT RESERVE REPORT***

## ***DOWNTOWN I AND II***

***1201 -1227 N Street and 1300-1308 12th Street, NW  
Washington, DC***

***Prepared For:  
Board of Directors,  
Downtown I and II  
c/o: Mr. Richard Bernstein  
Tilton Bernstein Management  
1827 14<sup>th</sup> Street, NW  
Washington, DC 20009***

***Project #316036***

***DATE OF FINAL REPORT: AUGUST 8, 2016***

***Prepared by:  
  
PROPERTY DIAGNOSTICS, INC.  
P.O. Box 3453  
Crofton, Maryland 21114***

## **DOWNTOWN I & II**

### **EXECUTIVE STATEMENT**

This Repair and Replacement Reserve Schedule Report has been developed for Downtown I & II, Board of Directors, for the specific purpose of reviewing the major components and developing a Repair and Replacement Reserve Schedule based on our research and observation of the property. Our report contains two different methods of reserve analysis. The first section presents the Component Method and the second section presents the Cash Flow Method.

The difference between the component method and cash flow method, the component method list all features of the property that will require repair or replacement over the normal useful life. The component annual contribution is based on the property's requirement to fund repairs or replacements at the time of the site analysis. This may result in short term higher contributions in an effort to catch up short falls in the reserve account. The component method has no means of readjusting the annual contribution after a component is repaired or replaced. For example, a roof requiring to be replaced within the next ten years will require an annual contribution of 10% for each year. After replaced a normal useful life of a roof system is 20 years, which results in an annual contribution of 5%. The cash flow method takes into account the activities on the property and the expenditures expected over the next 30 years. Thereby, allowing an adjustment to the annual contribution rather than over funding the reserve account.

The analysis for both methods involved visits to the property with a walk-through of all accessible common areas of the site. Specific areas included the grounds, walkways, roofing, building exterior, mechanical, plumbing and electrical equipment, and interior common spaces.

The examination was made following generally accepted visual inspection standards and did not include testing of any equipment or physical conditions, unless specific reference is made to such testing. Unless otherwise stated, we have reported only on those items that we were able to observe visually. The inspection did not include removing portions of construction in order to expose concealed conditions. The report is intended to fairly present our professional opinion of the condition of the facility and the component parts to which reference is made in the report, as of the date of this inspection. The report is based upon the visual observations and information provided to us of the age, materials, equipment, and construction techniques that were used subject to the qualifications expressed in this report.

Based on the findings in each of the specific areas reviewed, professional judgment was used in forecasting the remaining life expectancy of the systems and components scheduled in the body of this report. The estimated cost of each component has been identified. The same basis and judgment was used in describing any existing conditions based on estimated cost of all necessary or recommended repairs. This report, therefore, does not constitute or represent a warranty of the property's condition and should not be viewed as such. Rather, the report reflects our professional opinion based on the methodology specified above.

**PROPERTY DIAGNOSTICS, INC.**

*William D. Grimes*

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William D. Grimes  
President



# **Understanding your reserve report**

## **What is a reserve report?**

A reserve report is a financial plan for commonly owned properties. Reserve reports are not to be treated as a budget it is a financial plan.

## **What does a reserve report include?**

A reserve report identifies all common and limited common property owned by a community that will require replacement or refurbishment over the life of the property. The report quantifies all common property, identifies typical life spans of each component, projects remaining life spans of common components, estimates the cost to replace or refurbish each common component, evaluates current fund status of the property's reserve fund, and recommends annual contribution to meet property needs.

## **Why does a property need a reserve report?**

- Community properties in some municipalities are required to have a reserve report. Virginia is one state that requires an updated reserve every five years, and requires reserve reports be given to prospective purchasers.
- Refinancing firms are requiring reserve reports be updated on a regular bases, and in some cases will not finance a mortgage if the report is not current or the property is not properly funded. These include Fannie Mae, Freddie Mac and FHA loans.
- Fiduciary responsibility is another concern. Present and past board members have been sued personally for not having proper management performed when it comes to properly assessing homeowners for future repairs.
- To maintain the community and protect owners investment.
- To prevent special assessments.
- Buyers are becoming more aware of how community properties are funded and are requesting a review of financial reports before purchasing.

## **What components go into a reserve report?**

- Any common or limited common component that is not life of building will require replacement or repair over the life of the property and are not performed annually. Items such as landscaping are performed annually, but some properties may require a landscaping fund for major projects like removing trees.

- Depending on the size of the property financial limits are set to eliminate small items, which will be expended out of the general maintenance fund. For example, properties of 100 + units may exclude items under \$1,000.00. Properties with 10 or less units may exclude items under \$100.00.
- Most properties do not reserve for individual parts of components, such as motors for fans, ballast for lights or tubes for chillers for example.

## **How do we know how long a component will last?**

In the financial plan, we use typical property historical information, industry documents such as AIA literature, ASHRAE literature, and manufactures literature, which list expected life of materials and components.

## **How do we know how much a repair or replacement cost?**

Most companies use standard cost guild literature such as Means Construction Cost or The National Insurance Cost Guide. Property Diagnostics is regularly involved in property replacements and repairs, and has developed its own database of costs projections.

## **Component vs. Cash Flow**

Component method is required to develop the list of components and cost, but most all properties use the cash flow method. The cash flow method calculates anticipated expenditures for the property over the next thirty years.

## **When to use funds from the reserve**

Reserve funds should only be used when a component or a section of a component is replaced in full, or in part that will not be discarded when additional replacement occurs. Some examples of when to use reserve funds.

- Sectional concrete replacement
- Large sections of piping replacement
- Higher percentages of pointing work
- Large sections of painting
- Individual floor carpeting

Some examples of when not to use reserve funds

- Roof patching
- Asphalt patching
- Minor plumbing repairs
- Mechanical equipment repairs



## **How often should a reserve report be updated?**

The APRA (Association of Professional Reserve Analysis) believes a reserve should be updated every year. Most properties should have the reserve updated by a professional every three to five years.

There are three levels of updating reserve reports.

- Level 1 is updating cost without a site visit.
- Level 2 is updating costs and reviewing remaining life of components with a site visit.
- Level 3 is developing an inventory, setting remaining life of components and developing cost projections.

## **Reserve reports are not budgets.**

A budget is an itemized summary of estimated or intended expenditures for a given period along with proposals for financing them.

## **Reserve reports are a financial plan.**

A financial plan is a forecast of the expected financial position, and the results of operations and cash flows based on expected conditions.

A reserve report does not anticipate exactly when monies will be used to repair or maintain components on a property. The reserve report anticipates when properties will likely or possibly require funds to maintain a component.

With every reserve report the components fall into one of three categories these are:

- Subjective
- Fixed
- Variable

Subjective items are items that are replaced depending on owners' preferences or tolerations. These components do not need to be replaced, but have been set with industry standard remaining life.

Examples of Subjective Components include items like:

- Carpeting
- Interior painting
- Elevator cab refurbishment
- Interior lighting

Fixed items are items that fail on regular bases having little variation between properties.

Examples of Fixed Components include items like:

- Roof systems
- Exterior painting
- Caulking
- Asphalt surfaces

Variable items are items that vary widely pertaining to life cycles on properties.

Examples of Variable Components include items like:

- Elevators
- Mechanical equipment
- Electrical switchgear
- Piping
- Fire alarm systems

Owners should be aware of these types of issues when reviewing their reserve reports, and engage with the reserve firm to tailor their plans to meet and suite their needs.

## **Is there a formula to state what an average per unit reserve should have on hand as a minimum?**

The true answer to this question is no, but financial institutions have set a requirement that a community should have at least ten percent of the annual operating budget set aside in the reserve fund. Therefore, no property should be under the ten percent requirement.

The reason there is no set per unit amount determined as a baseline for minimum reserve is that properties or communities vary widely as to their common property.

Looking at four different 100-unit properties calling the properties A – D.

- Property A has 100 units, on this property there is typical common equipment, a swimming pool, exercise room, community room, limited common balconies, a roof deck, a large lobby with front desk, central heating and mechanical plant, and an underground garage.
- Property B has 100 units, on this property there is typical common equipment, an exercise room, community room, roof deck, central heating and mechanical plant, and an underground garage.
- Property C has 100 units, on this property there is typical common equipment, a roof deck, and a central heating and air conditioning plant.
- Property D has 100 units, on this property there is typical common equipment with nothing additional.

## **How can a property have confidence that their reserve report will meet their needs?**

- Engage services from experienced certified professional firms. Choose local firms to perform services, which better understands the local market and local contractors. Local firms are also available to meet with owners and work closely with managers.
- Know what is common and limited common on your site.
- Report problems such as past piping leaks, roof leaks, and others.
- Report past replacement such as carpet replacement, exterior caulking replacement and others.
- Report plans for upgrades or planned projects.
- Report age of property and when the property was converted.
- Report contacts such as elevator service personnel, mechanical contractor, plumbing contractor and others.
- Know what the property owns such as fences, walls, walks and other.

## **What if you receive proposals for work significantly higher than the estimated reserve figure or contractors report significantly lower remaining life span than reported in your reserve?**

Contact your reserve service provider. They may be very helpful in addressing issues. We had a client that we estimated the roof to have a remaining life of five years and estimated the cost to replace at \$38,000.00. They received three proposals with the lowest quoting \$78,000.00. They contacted our firm to ask how we could be so far off. Looking at the proposals we discovered the proposals included a lot of things the property did not need. Luckily, they contacted us and we solicited bids for the base roof replacement, which was replaced for \$36,580.00.

## **The following items are considered life of building and are not included in your report.**

Building framing

Interior doors

Drywall

Interior trim

Stair systems

As well as site specific items not reflected in this report considered by the inspector to be life of building.

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## I. COMPONENT METHOD

The Chart of Repair & Replacement Reserves is a compilation of architectural, structural, mechanical, and electrical elements, which represent estimated replacement and/or major repair items and their present day dollar value.

The charting of items identifies and quantifies the component items, the estimated cost to repair or replace those items, and the target date with which those repairs or replacements are projected to take place. The annual contribution is the total cost for repair or replacement, divided by the repair cycle or target date. This cost has been presented in today's dollars and has not been extrapolated to a future date. *Note: Monies escrowed for future repairs or replacement earns interest, which offsets additional costs caused by inflation.*

The chart delineates Reserve/Replacement items. Some items of work or systems must be totally replaced in a given year. However, many of the items, in practice, will be repaired or replaced in phases. An example would be a reserve figure to replace concrete walls shown as a total amount to be spent in ten years; in reality sectional replacement is likely.

Items listed in the Reserve/Replacement column are intended solely as conceptual estimates and overview of the project's physical facilities, and do not represent detailed estimates of system(s) based upon bid documents or other detailed engineering or architectural analysis or physical surveys.

**Column #1**, entitled "Item", is a brief identification of site components. For a more detailed explanation of the work task, see the narrative description of work items that follows each categorical chart. The description is an explanation of the logic involved in the preparation of the estimated costs for repair or replacement.

**Column #2**, entitled "Quantity", refers to the quantity of a material or system furnished and installed. Following the quantity is a unit's abbreviation, which is as follows:

Ea = Each or portion of total system.

SQ = Square of roof or 100 S.F.

SF = Square Foot

LF = Linear Foot

SY = Square Yard

LS = Lump Sum-Total costs of those items required to make the description (task) operational when finite quantities are not defined.

Lot = Entire system where quantities are not defined or are inter-dependent.

Unit = Each or portion of total system.

Sys = Mechanical system complete, including attendant mechanical work to make system function.

LOB = Life of Building

**Column #3**, entitled "Normal Useful Life", this figure represents a conceptual number of years, which a given item or system can be expected to last at the time of installation. This figure is derived by using professional judgment and through observations made in the field.

**Column #4**, entitled "Estimated Remaining Life", this figure represents the estimated time that an existing item or system can be expected to remain useful. This figure is derived by using professional judgment where items or systems show unusual wear or unusual preservation, or if the items are new by subtracting actual age of the existing item or system from the "Normal Useful Life".

**Column #5**, entitled "Current Replacement Cost", reflects the estimated cost to replace and install an item or system or to perform the described work task. This figure is calculated using industry-accepted standards, comparing various industry sources and using professional judgment. Property Diagnostics, Inc. refers to Means price guides, Dodge price guides, and our in-house database. These figures are for conceptual purposes only and are not based upon detailed engineering or architectural analysis, bid documents, or detailed physical surveys.

**Column #6**, entitled "Current Fund", reflects monies presently assigned to replacement of the indicated system or item in the Replacement Reserve Fund. This figure is derived by those parties responsible for allocating funds or by Property Diagnostics, Inc. as directed by those responsible parties.

**Column #7**, entitled "Required Fund", represents those funds required to reach the Current Replacement Cost. The figure is calculated using the "Current Replacement Cost" less the "Current Fund".

**Column #8**, entitled "Annual Contribution", reflects those monies that should be set aside on an annual basis in order to have the item or system fully funded at completion of the expected useful life period. This figure is calculated by dividing the "Required Fund" by the "Estimated Remaining Life".

DOWNTOWN I & II					
REPAIR AND REPLACEMENT RESERVE - SUMMARY					
PROPERTY DIAGNOSTICS, INC.					
ITEM		CURRENT			
		REPLACEMENT	CURRENT	REQUIRED	ANNUAL
		COST	FUND	FUND	CONTRIBUTION
A.	Architectural Grounds	\$244,596.00	\$27,684.32	\$216,911.68	\$18,224.16
B.	Building Envelope	570,356.00	51,088.00	519,268.00	64,852.22
C.	Building Interior	37,880.00	11,360.00	26,520.00	6,774.67
D.	Mechanical/Plumbing/Electrical	447,720.00	10,486.22	437,233.78	29,159.53
TOTAL:		\$1,300,552.00	\$100,618.54	\$1,199,933.46	\$119,010.58



DOWNTOWN I & II							
A. ARCHITECTURAL GROUNDS							
PROPERTY DIAGNOSTICS, INC.							
ITEM	QUANTITY	NORMAL USEFUL LIFE (Years)	ESTIMATED REMAINING LIFE (Years)	CURRENT REPLACEMENT COST	CURRENT FUND	REQUIRED FUND	ANNUAL CONTRIBUTION
1. Stamped Concrete Walk	1,376 SF	35	10	\$38,304.00	\$0.00	\$38,304.00	\$3,830.40
2. Brick Retaining Walls	2,950 SF	40	15	35,400.00	0.00	35,400.00	2,360.00
3. Metal Rail	718 LF	10	2	5,200.00	4,160.00	1,040.00	520.00
4. Metal Fence	182 LF	10	2	4,800.00	3,840.00	960.00	480.00
5. Metal Gates	3	25	2	1,200.00	1,104.00	96.00	48.00
6. Concrete	2,682 SF	50	18	48,276.00	15,448.32	32,827.68	1,823.76
7. Concrete Stairs Lower	11	40	18	13,200.00	0.00	13,200.00	733.33
8. Mailboxes	48	30	10	7,200.00	0.00	7,200.00	720.00
9. Concrete Parking	3,256 SF	40	12	84,656.00	0.00	84,656.00	7,054.67
10. Wheel Stops	12	30	6	2,880.00	0.00	2,880.00	480.00
11. Wood Screen Fence	48 LF	20	2	3,480.00	3,132.00	348.00	174.00
<b>TOTAL:</b>				<b>\$244,596.00</b>	<b>\$27,684.32</b>	<b>\$216,911.68</b>	<b>\$18,224.16</b>

## A. REPAIR & REPLACEMENT RESERVE - ARCHITECTURAL GROUNDS

Item Number	Description
1. Stamped Concrete Walk	The estimated replacement cost for concrete includes the removal of the existing concrete and replacement of new concrete. New concrete will be reinforced with a rebar material and rated for 3,000 PSI.
2. Brick Retaining Walls	Brick landscape walls should never require full replacement if properly maintained. The estimated replacement cost is for repair and reconstruction of the wall during the remaining life. Repairs would include reconstruction and repointing of approximately 15% of the wall.
3. Metal Rails	Metal rails are thought to be life of building. However, they will require repair and restoration within the remaining life. The estimated cost anticipates re-welding and minor repairs to 30% of the metal rail system. It is not anticipated that all the railing will require repairs at any given time. As such, this item should be viewed as a draw fund to make corrections as needed.
4. Metal Fence	The replacement cost for the metal fencing estimates the replacement cost to properly maintain the fencing. It is anticipated that on a regular basis the fencing will be refinished and that at times metal repairs will be required including replacement of base posts and re-welding pickets as needed.
5. Metal Gates	The metal gate is thought to be life of building. However, it will require repair and restoration within the remaining life. The estimated cost anticipates re-welding and minor repairs to a maximum of 30% of the metal rail surfaces. This item should be viewed as a draw fund to make corrections as needed.
6. Concrete	The estimated replacement cost for concrete includes the removal of the existing concrete and replacement of new concrete. New concrete will be reinforced with a rebar material and rated for 3,000 PSI.

## **A. REPAIR & REPLACEMENT RESERVE - ARCHITECTURAL GROUNDS**

<b>Item Number</b>	<b>Description</b>
7. Concrete Stairs Lower	The estimated replacement cost for concrete includes the removal of the existing concrete and replacement of new concrete. New concrete will be reinforced with a rebar material and rated for 3,000 PSI.
8. Mailboxes	The estimated replacement cost is for replacement of the existing mailboxes with new mailboxes of similar style and quality.
9. Concrete Parking	The estimated replacement cost for concrete parking includes removal of the existing concrete and replacement of new concrete. New concrete will be reinforced with a rebar material and rated for 3,000 psi. The concrete line item replacement fund should be considered a draw fund. Concrete never requires full replacement at one time. However, it does require sectional replacement. Over the life span of the concrete, it is anticipated that all concrete will be renewed at least once.
10. Wheel Stops	There are concrete wheel stops on-site. The estimate is for the replacement of the wheel stops and signs with similar units.
11. Wood Screen Fence	The estimated replacement cost for wood fence is based on replacement of the existing wood fencing system with a new fencing system of equal style and quality.

DOWNTOWN I & II							
B. BUILDING EXTERIOR							
PROPERTY DIAGNOSTICS, INC.							
ITEM	QUANTITY	NORMAL USEFUL LIFE (Years)	ESTIMATED REMAINING LIFE (Years)	CURRENT REPLACEMENT COST	CURRENT FUND	REQUIRED FUND	ANNUAL CONTRIBUTION
1. Exterior Painting	Lot	10	1	\$17,600.00	\$17,600.00	\$0.00	\$0.00
2. Roof System	11,860 SF	20	4	147,616.00	0.00	147,616.00	36,904.00
3. Entry Doors	8	35	9	12,800.00	0.00	12,800.00	1,422.22
4. Entry Porches	6	40	18	20,400.00	0.00	20,400.00	1,133.33
5. Brick Pointing	Lot	40	18	280,000.00	0.00	280,000.00	15,555.56
6. Building Caulking	Lot	15	2	38,640.00	33,488.00	5,152.00	2,576.00
7. Skylights Common	8	30	9	11,200.00	0.00	11,200.00	1,244.44
8. Skylights Unit	50	30	6	32,500.00	0.00	32,500.00	5,416.67
9. Window Wells	Lot	40	16	9,600.00	0.00	9,600.00	600.00
<b>TOTAL:</b>				<b>\$570,356.00</b>	<b>\$51,088.00</b>	<b>\$519,268.00</b>	<b>\$64,852.22</b>

## **B. REPAIR & REPLACEMENT RESERVE – BUILDING ENVELOPE**

<b>Item Number</b>	<b>Description</b>
1. Exterior Painting	The estimated replacement cost for exterior painting is based on replacement of the existing paint and finish on the exterior windows, building trim and metal work with a single coat of exterior paint.
2. Roof System	By the end of the normal useful life span, the building will consider major renewal of the flat roof system. The scope of work includes removal of the existing materials and installation of a new roof system.
3. Entry Doors	The estimated replacement cost for entrance doors is for replacement of the existing entrance doors with new doors of similar design and quality.
4. Entry Porches	Although porches are considered life of building, they will require normal maintenance. Cracking and damage of the concrete is anticipated, and the estimated replacement cost is for restoration of porch entries as needed.
5. Brick Pointing	Over a normal useful life span, it is recommended that defective mortar joints be renewed as needed. This replacement reserve cost category has considered removal of defective mortar and installation of new mortar as needed.
6. Building Caulking	The estimated replacement cost for caulking is for replacement of caulking around windows, doors and building joints. The caulking replacement cost anticipates full removal of the existing caulking, removal of backer rod material, and installation of new materials.
7. Skylights Common	The estimated replacement cost for skylights is to maintain the skylights in good order, replacing the gasketing material when needed.
8. Skylights Unit	The estimated replacement cost for skylights is to maintain the skylights in good order, replacing the gasketing material when needed.

## **B. REPAIR & REPLACEMENT RESERVE – BUILDING ENVELOPE**

<b>Item Number</b>	<b>Description</b>
9. Window Wells	The estimated replacement cost for window wells is based on replacement of the existing window wells with new window wells of equal style and quality.

<b>DOWNTOWN I &amp; II</b>							
<b>C. BUILDING INTERIOR</b>							
<b>PROPERTY DIAGNOSTICS, INC.</b>							
<b>ITEM</b>	<b>QUANTITY</b>	<b>NORMAL USEFUL LIFE (Years)</b>	<b>ESTIMATED REMAINING LIFE (Years)</b>	<b>CURRENT REPLACEMENT COST</b>	<b>CURRENT FUND</b>	<b>REQUIRED FUND</b>	<b>ANNUAL CONTRIBUTION</b>
<b>1. Floor Tile</b>	240 SF	25	3	\$12,800.00	\$0.00	\$12,800.00	\$4,266.67
<b>2. Rubber Stairs Tread Covers</b>	128	18	10	10,880.00	0.00	10,880.00	1,088.00
<b>3. Interior Painting</b>	Lot	10	2	14,200.00	11,360.00	2,840.00	1,420.00
<b>TOTAL:</b>				<b>\$37,880.00</b>	<b>\$11,360.00</b>	<b>\$26,520.00</b>	<b>\$6,774.67</b>

### **C. REPAIR & REPLACEMENT RESERVE – BUILDING INTERIOR**

<b>Item Number</b>	<b>Description</b>
1. Vinyl Flooring	The estimated replacement cost is for the replacement of the existing vinyl flooring system with a new similar vinyl flooring system.
2. Rubber Stair Tread Covers	The estimated replacement cost of stair treads is for the replacement of the existing stair treads with new stair treads of similar design and quality.
3. Interior Painting	Interior painting includes the interior finish areas. The estimated cost reflects the cost to replace the existing finish with a new single coat of paint.



DOWNTOWN I & II							
D. MECHANICAL/PLUMBING/ELECTRICAL							
PROPERTY DIAGNOSTICS, INC.							
ITEM	QUANTITY	NORMAL USEFUL LIFE (Years)	ESTIMATED REMAINING LIFE (Years)	CURRENT REPLACEMENT COST	CURRENT FUND	REQUIRED FUND	ANNUAL CONTRIBUTION
1. Exterior Lighting	28	30	13	\$5,880.00	\$0.00	\$5,880.00	\$452.31
2. Main Electrical Switchgear	Lot	40	15	52,000.00	0.00	52,000.00	3,466.67
3. Entry System	8	18	4	22,400.00	0.00	22,400.00	5,600.00
4. Domestic Piping	Lot	40	14	182,400.00	10,486.22	171,913.78	12,279.56
5. Waste Piping	Lot	60	32	153,600.00	0.00	153,600.00	4,800.00
6. Interior Lights	16	25	6	2,880.00	0.00	2,880.00	480.00
7. Exit Lights	8	25	10	1,280.00	0.00	1,280.00	128.00
8. Emergency Lights	8	20	10	1,280.00	0.00	1,280.00	128.00
9. Fire Alarm System	Lot	40	16	22,800.00	0.00	22,800.00	1,425.00
10. Pole Light	1	30	8	3,200.00	0.00	3,200.00	400.00
<b>TOTAL:</b>				<b>\$447,720.00</b>	<b>\$10,486.22</b>	<b>\$437,233.78</b>	<b>\$29,159.53</b>

#### **D. REPAIR & REPLACEMENT RESERVE – MECHANICAL/PLUMBING/ELECTRICAL**

<b>Item Number</b>	<b>Description</b>
1. Exterior Lighting	The estimated replacement cost for exterior lighting is based on replacement of the existing lighting fixtures with similar fixtures.
2. Main Electrical Switchgear	The estimated replacement cost is for replacement of the existing main switchgear with new switchgear of equal ratings and load capacity.
3. Entry System	The estimated replacement cost for entry system is for replacement of the building electronic entries with a system of similar design and quality.
4. Domestic Piping	The estimated replacement cost of the domestic piping is based on replacement of the existing piping with new piping. It is not intended to be replaced at one time. We recommend that this be considered a draw fund and, as repairs are made, the reserve should be drawn on.
5. Waste Piping	The estimated replacement cost of the waste piping is based on replacement of the existing piping with new piping. It is not intended to be replaced at one time. We recommend that this be considered a draw fund and, as repairs are made, the reserve should be drawn on.
6. Interior Lights	The estimated replacement cost for interior lighting is based on replacement of the existing lighting fixtures with similar fixtures.
7. Exit Lights	The estimated replacement cost is for replacement of the existing exit lighting with new, more efficient lighting systems.
8. Emergency Lights	The estimated replacement cost for emergency lighting anticipates the replacement requirement of the existing lighting units after the normal useful life. The replacement will include removal of the existing units and installation of newer similar units as required.

#### **D. REPAIR & REPLACEMENT RESERVE – MECHANICAL/PLUMBING/ELECTRICAL**

<b>Item Number</b>	<b>Description</b>
9. Fire Alarm System	The estimated replacement cost anticipates replacement of the main fire alarm system. This does not include the pull stations, bells or detectors as these are typically handled through maintenance and/or are considered life of building.
10. Pole Lighting	The estimated replacement cost for the exterior pole lighting is for replacement of the existing pole lighting with new lighting fixtures of similar style and quality.

## II. CASH FLOW METHOD

The Cash Flow Method incorporates the repair and replacement needs of the property over the next thirty years, to include anticipated repair/replacement of components and materials that are performed sectionally. A percentage of these items are ascribed to the Cash Flow Chart throughout the thirty-year chart. The Cash Flow Method allows the property owners to reserve funds to maintain the property based on the limited estimated requirements over the next thirty years.

The Cash Flow Section of the report extrapolates requirements stated in the Component Method section of the report.

The Cash Flow Breakdown chart outlines the first column in years, the second column shows total expenditures for each year, column three shows the property's yearly contribution, column four shows cash on hand or total property reserve, column five shows Property Diagnostics, Inc.'s annual contribution recommendation, and column six shows cash on hand or total property reserve based on Property Diagnostics, Inc.'s recommendation. The first year of column three shows the reported current property reserve balance.

The current reserve fund provided to Property Diagnostics, Inc. is \$100,619. The property's annual contribution is \$68,859. The amount of funding meets the needs for this property. Based on our calculations, the property will have \$582,408 at the end of thirty years.

The second cash flow chart on page 19 shows the replacement cost with an inflation rate of 1%, per year, and the current fund with an interest earned rate of 1%, per year. The total amount at the end of thirty years will be \$351,792.

The third cash flow chart on page 20 shows the replacement cost with an inflation rate of 3%, per year, and the current fund with an interest earned rate of 2.3% per year. At the end of thirty years, the property will have a negative amount of (\$60,831).

We recommend the property update the reserve study every three to five years. This update would readjust the reserve requirements for the property based on actual experiences and conditions.

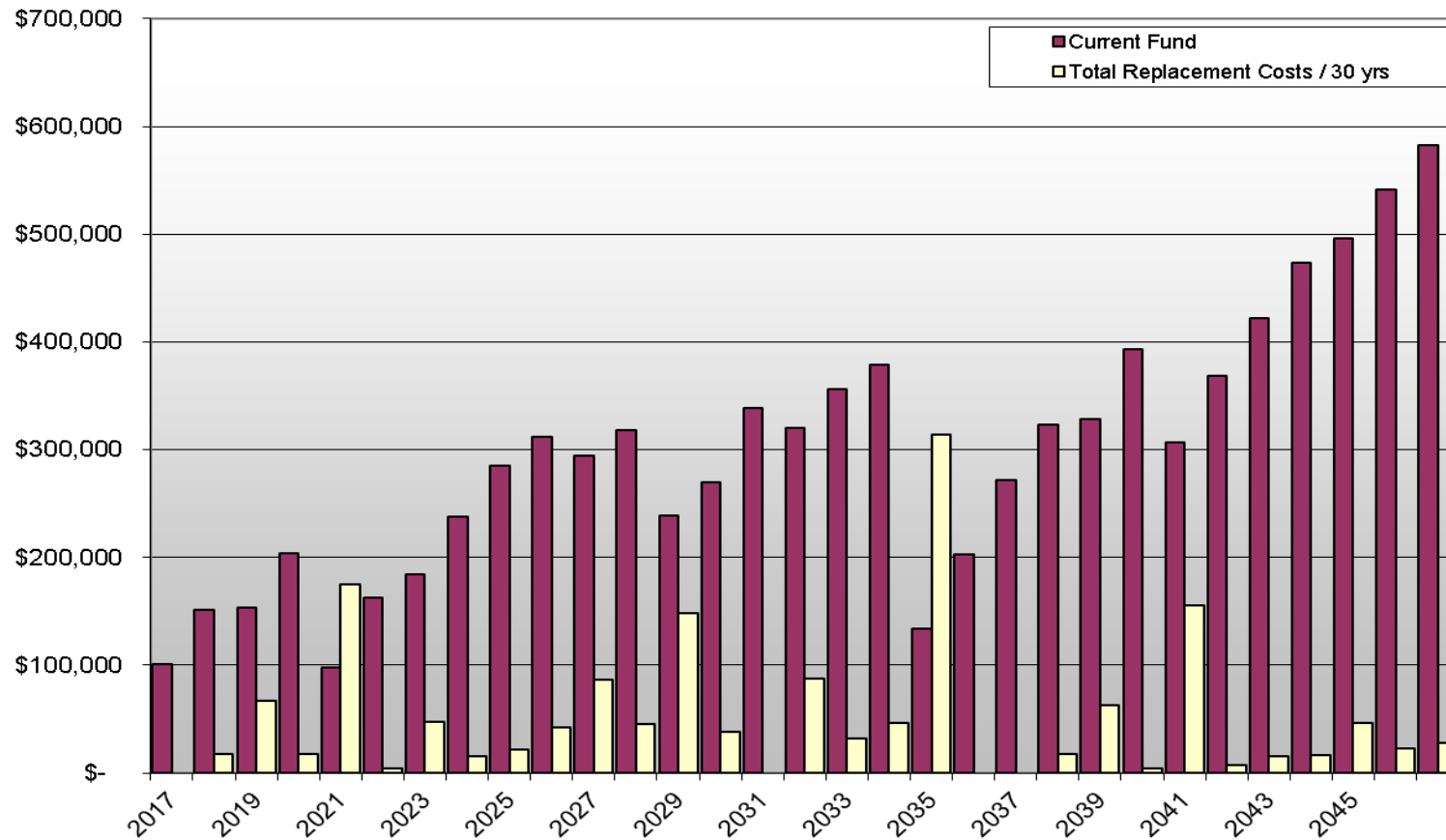
The first bar chart shows graphically the cash expenditures and cash on hand based on property's yearly contribution. The second bar chart shows graphically the cash expenditures and cash on hand based on Property Diagnostics, Inc.'s recommendation. The following section of the report identifies specifically items to be repaired/replaced for each year and the method or component, which is specified.

DOWNTOWN I & II					
UNINFLATED CASH FLOW BREAKDOWN					
Year	Total Replacement Costs / 30yrs	Downtown I & II's Yearly Contribution	Current Fund based on Downtown I & II's Contribution	Recommended Yearly Contribution	Current Fund based on Recommended Yearly Contribution
			\$ 100,619		\$ 100,619
2017	\$ 17,600	\$ 68,859	\$ 151,878	\$ 68,859	\$ 151,878
2018	\$ 67,520	\$ 68,859	\$ 153,217	\$ 68,859	\$ 153,217
2019	\$ 18,110	\$ 68,859	\$ 203,966	\$ 68,859	\$ 203,966
2020	\$ 174,576	\$ 68,859	\$ 98,249	\$ 68,859	\$ 98,249
2021	\$ 4,560	\$ 68,859	\$ 162,548	\$ 68,859	\$ 162,548
2022	\$ 47,380	\$ 68,859	\$ 184,027	\$ 68,859	\$ 184,027
2023	\$ 15,396	\$ 68,859	\$ 237,490	\$ 68,859	\$ 237,490
2024	\$ 21,440	\$ 68,859	\$ 284,909	\$ 68,859	\$ 284,909
2025	\$ 42,240	\$ 68,859	\$ 311,528	\$ 68,859	\$ 311,528
2026	\$ 86,304	\$ 68,859	\$ 294,083	\$ 68,859	\$ 294,083
2027	\$ 44,960	\$ 68,859	\$ 317,982	\$ 68,859	\$ 317,982
2028	\$ 148,017	\$ 68,859	\$ 238,824	\$ 68,859	\$ 238,824
2029	\$ 37,800	\$ 68,859	\$ 269,883	\$ 68,859	\$ 269,883
2030	\$ -	\$ 68,859	\$ 338,742	\$ 68,859	\$ 338,742
2031	\$ 87,400	\$ 68,859	\$ 320,201	\$ 68,859	\$ 320,201
2032	\$ 32,400	\$ 68,859	\$ 356,660	\$ 68,859	\$ 356,660
2033	\$ 46,847	\$ 68,859	\$ 378,672	\$ 68,859	\$ 378,672
2034	\$ 313,600	\$ 68,859	\$ 133,931	\$ 68,859	\$ 133,931
2035	\$ -	\$ 68,859	\$ 202,790	\$ 68,859	\$ 202,790
2036	\$ -	\$ 68,859	\$ 271,649	\$ 68,859	\$ 271,649
2037	\$ 17,600	\$ 68,859	\$ 322,908	\$ 68,859	\$ 322,908
2038	\$ 63,092	\$ 68,859	\$ 328,675	\$ 68,859	\$ 328,675
2039	\$ 3,840	\$ 68,859	\$ 393,694	\$ 68,859	\$ 393,694
2040	\$ 155,296	\$ 68,859	\$ 307,257	\$ 68,859	\$ 307,257
2041	\$ 7,680	\$ 68,859	\$ 368,436	\$ 68,859	\$ 368,436
2042	\$ 15,360	\$ 68,859	\$ 421,935	\$ 68,859	\$ 421,935
2043	\$ 17,043	\$ 68,859	\$ 473,751	\$ 68,859	\$ 473,751
2044	\$ 46,720	\$ 68,859	\$ 495,890	\$ 68,859	\$ 495,890
2045	\$ 23,040	\$ 68,859	\$ 541,709	\$ 68,859	\$ 541,709
2046	\$ 28,160	\$ 68,859	\$ 582,408	\$ 68,859	\$ 582,408

<b>DOWNTOWN I &amp; II</b>				
<b>INFLATED CASH FLOW BREAKDOWN</b>				
<b>Year</b>	<b>Total Replacement Costs / 30yrs with 1% Inflation</b>	<b>Downtown I &amp; II's Yearly Contribution</b>	<b>Current Fund based on Downtown I &amp; II's Contribution</b>	<b>Current Fund based on Downtown I &amp; II's Contribution with 1% Interest Earned</b>
			<b>\$ 100,619</b>	
2017	\$ 17,776	\$ 68,859	\$ 151,702	\$153,219
2018	\$ 68,870	\$ 68,859	\$ 151,690	153,207
2019	\$ 18,653	\$ 68,859	\$ 201,896	203,413
2020	\$ 181,559	\$ 68,859	\$ 89,196	90,713
2021	\$ 4,788	\$ 68,859	\$ 153,267	154,784
2022	\$ 50,223	\$ 68,859	\$ 171,903	173,420
2023	\$ 16,474	\$ 68,859	\$ 224,288	225,805
2024	\$ 23,155	\$ 68,859	\$ 269,992	271,509
2025	\$ 46,042	\$ 68,859	\$ 292,809	294,326
2026	\$ 94,934	\$ 68,859	\$ 266,734	268,251
2027	\$ 49,906	\$ 68,859	\$ 285,687	287,204
2028	\$ 165,779	\$ 68,859	\$ 188,767	190,284
2029	\$ 42,714	\$ 68,859	\$ 214,912	216,429
2030	\$ -	\$ 68,859	\$ 283,771	285,288
2031	\$ 100,510	\$ 68,859	\$ 252,120	253,637
2032	\$ 37,584	\$ 68,859	\$ 283,395	284,912
2033	\$ 54,811	\$ 68,859	\$ 297,443	298,960
2034	\$ 370,048	\$ 68,859	\$ (3,746)	(2,229)
2035	\$ -	\$ 68,859	\$ 65,113	66,630
2036	\$ -	\$ 68,859	\$ 133,972	135,489
2037	\$ 21,296	\$ 68,859	\$ 181,535	183,052
2038	\$ 76,972	\$ 68,859	\$ 173,422	174,939
2039	\$ 4,723	\$ 68,859	\$ 237,558	239,075
2040	\$ 192,567	\$ 68,859	\$ 113,850	115,367
2041	\$ 9,600	\$ 68,859	\$ 173,109	174,626
2042	\$ 19,354	\$ 68,859	\$ 222,614	224,131
2043	\$ 21,645	\$ 68,859	\$ 269,829	271,346
2044	\$ 59,802	\$ 68,859	\$ 278,886	280,403
2045	\$ 29,722	\$ 68,859	\$ 318,024	319,541
2046	\$ 36,608	\$ 68,859	\$ 350,275	351,792

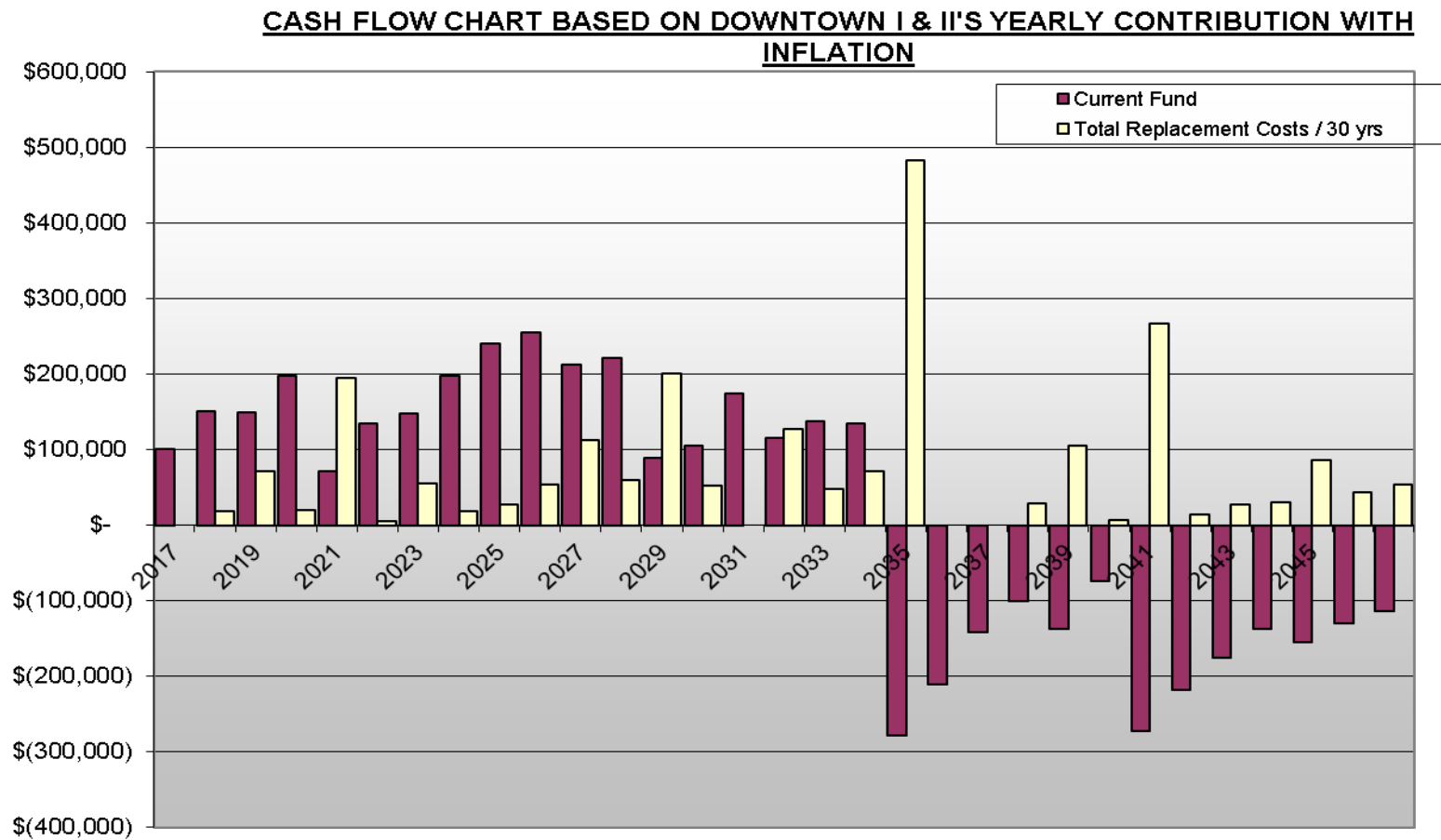
<b>DOWNTOWN I &amp; II</b>				
<b>INFLATED CASH FLOW BREAKDOWN</b>				
<b>Year</b>	<b>Total Replacement Costs / 30yrs with 3% Inflation</b>	<b>Downtown I &amp; II's Yearly Contribution</b>	<b>Current Fund based on Downtown I &amp; II's Contribution</b>	<b>Current Fund based on Downtown I &amp; II's Contribution with 2.3% Interest Earned</b>
			<b>\$ 100,619</b>	
2017	\$ 18,128	\$ 68,859	\$ 151,350	\$ 154,831
2018	\$ 71,571	\$ 68,859	\$ 148,637	\$ 155,679
2019	\$ 19,740	\$ 68,859	\$ 197,756	\$ 208,379
2020	\$ 195,525	\$ 68,859	\$ 71,090	\$ 86,506
2021	\$ 5,244	\$ 68,859	\$ 134,705	\$ 152,110
2022	\$ 55,908	\$ 68,859	\$ 147,656	\$ 168,560
2023	\$ 18,629	\$ 68,859	\$ 197,886	\$ 222,666
2024	\$ 26,586	\$ 68,859	\$ 240,159	\$ 270,061
2025	\$ 53,645	\$ 68,859	\$ 255,373	\$ 291,487
2026	\$ 112,195	\$ 68,859	\$ 212,037	\$ 254,855
2027	\$ 59,797	\$ 68,859	\$ 221,099	\$ 269,778
2028	\$ 201,303	\$ 68,859	\$ 88,655	\$ 143,539
2029	\$ 52,542	\$ 68,859	\$ 104,972	\$ 163,158
2030	\$ -	\$ 68,859	\$ 173,831	\$ 235,769
2031	\$ 126,730	\$ 68,859	\$ 115,960	\$ 183,321
2032	\$ 47,952	\$ 68,859	\$ 136,867	\$ 208,444
2033	\$ 70,739	\$ 68,859	\$ 134,987	\$ 211,359
2034	\$ 482,944	\$ 68,859	\$ (279,098)	\$ (197,865)
2035	\$ -	\$ 68,859	\$ (210,239)	\$ (133,557)
2036	\$ -	\$ 68,859	\$ (141,380)	\$ (67,770)
2037	\$ 28,688	\$ 68,859	\$ (101,209)	\$ (29,158)
2038	\$ 104,733	\$ 68,859	\$ (137,082)	\$ (65,702)
2039	\$ 6,490	\$ 68,859	\$ (74,713)	\$ (4,844)
2040	\$ 267,109	\$ 68,859	\$ (272,963)	\$ (203,205)
2041	\$ 13,440	\$ 68,859	\$ (217,544)	\$ (152,460)
2042	\$ 27,341	\$ 68,859	\$ (176,026)	\$ (114,448)
2043	\$ 30,848	\$ 68,859	\$ (138,015)	\$ (79,069)
2044	\$ 85,965	\$ 68,859	\$ (155,121)	\$ (97,994)
2045	\$ 43,085	\$ 68,859	\$ (129,346)	\$ (74,473)
2046	\$ 53,504	\$ 68,859	\$ (113,991)	\$ (60,831)

**CASH FLOW CHART BASED ON DOWNTOWN I & II'S YEARLY CONTRIBUTION**



*This is a graphical representation of annual contributions.*





*This is a graphical representation of annual contributions.*

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2017	Exterior Painting	\$17,600
	<b>Total for 2017</b>	<b>\$17,600</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2018	Metal Rail	\$5,200
	Metal Fence	4,800
	Metal Gates	1,200
	Wood Screen Fence	3,480
	Building Caulking	38,640
	Interior Painting	14,200
	<b>Total for 2018</b>	<b>\$67,520</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2019	Floor Tile	\$12,800
	Concrete – 11%	5,310
	<b>Total for 2019</b>	<b>\$18,110</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2020	Roof System	\$147,616
	Entry System	22,400
	Domestic Piping – 2.5%	4,560
	<b>Total for 2020</b>	<b>\$174,576</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2021	Domestic Piping – 2.5%	\$4,560
	<b>Total for 2021</b>	<b>\$4,560</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2022	Wheel Stops	\$2,880
	Skylights Unit	32,500
	Interior Lights	2,880
	Domestic Piping – 5%	9,120
	<b>Total for 2022</b>	<b>\$47,380</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2023	Concrete – 13%	\$6,276
	Domestic Piping – 5%	9,120
	<b>Total for 2023</b>	<b>\$15,396</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2024	Pole Light	\$3,200
	Domestic Piping – 10%	18,240
	<b>Total for 2024</b>	<b>\$21,440</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2025	Entry Doors	\$12,800
	Skylights Common	11,200
	Domestic Piping – 10%	18,240
	<b>Total for 2025</b>	<b>\$42,240</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2026	Stamped Concrete Walk	\$38,304
	Mailboxes	7,200
	Rubber Stairs Tread Covers	10,880
	Exit Lights	1,280
	Emergency Lights	1,280
	Domestic Piping – 15%	27,360
	<b>Total for 2026</b>	<b>\$86,304</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2027	Exterior Painting	\$17,600
	Domestic Piping – 15%	27,360
	<b>Total for 2027</b>	<b>\$44,960</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2028	Metal Rail	\$5,200
	Metal Fence	4,800
	Concrete Parking	84,656
	Interior Painting	14,200
	Concrete – 15%	7,241
	Domestic Piping – 17.5%	31,920
	<b>Total for 2028</b>	<b>\$148,017</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2029	Exterior Lighting	\$5,880
	Domestic Piping – 17.5%	31,920
	<b>Total for 2029</b>	<b>\$37,800</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2030		
	<b>Total for 2030</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2031	Brick Retaining Walls	\$35,400
	Main Electrical Switchgear	52,000
	<b>Total for 2031</b>	<b>\$87,400</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2032	Window Wells	\$9,600
	Fire Alarm System	22,800
	<b>Total for 2032</b>	<b>\$32,400</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2033	Building Caulking	\$38,640
	Concrete – 17%	8,207
	<b>Total for 2033</b>	<b>\$46,847</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2034	Concrete Stairs Lower	\$13,200
	Entry Porches	20,400
	Brick Pointing	280,000
	<b>Total for 2034</b>	<b>\$313,600</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2035		
	<b>Total for 2035</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2036		
	<b>Total for 2036</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2037	Exterior Painting	\$17,600
	<b>Total for 2037</b>	<b>\$17,600</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2038	Metal Rail	\$5,200
	Metal Fence	4,800
	Wood Screen Fence	3,480
	Interior Painting	14,200
	Entry System	22,400
	Concrete – 19%	9,172
	Waste Piping – 2.5%	3,840
	<b>Total for 2038</b>	<b>\$63,092</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2039	Waste Piping – 2.5%	\$3,840
	<b>Total for 2039</b>	<b>\$3,840</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2040	Roof System	\$147,616
	Waste Piping – 5%	7,680
	<b>Total for 2040</b>	<b>\$155,296</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2041	Waste Piping – 5%	\$7,680
	<b>Total for 2041</b>	<b>\$7,680</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2042	Waste Piping – 10%	\$15,360
	<b>Total for 2042</b>	<b>\$15,360</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2043	Metal Gates	\$1,200
	Concrete – 1%	483
	Waste Piping – 10%	15,360
	<b>Total for 2043</b>	<b>\$17,043</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2044	Floor Tile	\$12,800
	Rubber Stairs Tread Covers	10,880
	Waste Piping – 15%	23,040
	<b>Total for 2044</b>	<b>\$46,720</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2045	Waste Piping – 15%	\$23,040
	<b>Total for 2045</b>	<b>\$23,040</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2046	Emergency Lights	\$1,280
	Waste Piping – 17.5%	26,880
	<b>Total for 2046</b>	<b>\$28,160</b>



### III. INSPECTION OBSERVATIONS / PHOTOGRAPHS



**Photo #1:** Downtown II roof system



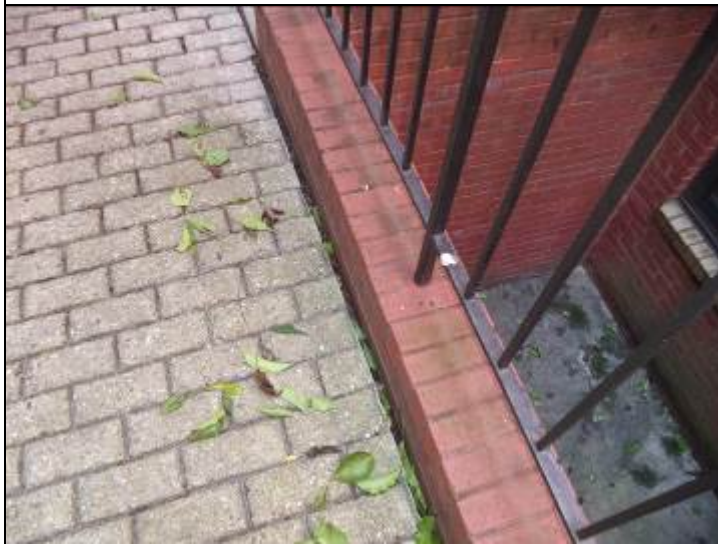
**Photo #2:** Downtown II roof system



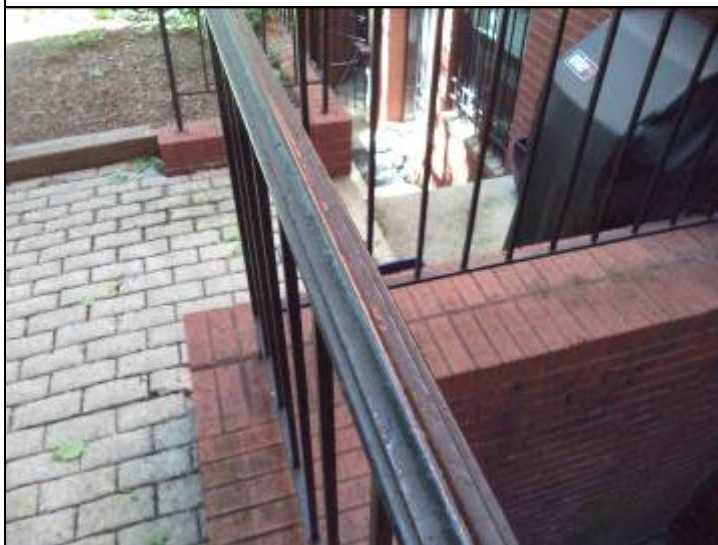
**Photo #3:** Outside of building 1225 there is a differential in the walk, which presents a trip hazard.



**Photo #4:** Joints between concrete and brick walls. This should be sealed with caulking, which would prevent damages to the subbase materials.



**Photo #5:** Joints between concrete and brick walls. This should be sealed with caulking, which would prevent damages to the subbase materials.



**Photo #6:** Rail systems on a regular basis require to be refinished.





**Photo #7:** Joints between concrete and brick walls. This should be sealed with caulking, which would prevent damages to the subbase materials.



**Photo #8:** At the front of the buildings, there is a lower concrete walk area and retaining wall.



**Photo #9:** Downtown I, roof system



**Photo #10:** Downtown I, roof system access.



**Photo #11:** On the roof we noted that there are components for equipment, which have been abandoned. These should be removed from the site, and the contractor should be required to discharge the material.



**Photo #12:** At the building entries on 12th Street, the doors require to be refinished.





**Photo #13:** There are some minor issues with the tile floors.



**Photo #14:** Rear stamped concrete walk



**Photo #15:** In some areas ivy is growing on the building, which should be prevented. Ivy will cause damages to the wall systems.



**Photo #16:** Rear unit fence screens



**Photo #17:** Joints between concrete and brick walls. This should be sealed with caulking, which would prevent damages to the subbase materials.



**Photo #18:** At the rear of 11<sup>th</sup> Street, the building has brick installed to create a dam. This presents a hazardous condition. In this same area, the concrete walk is cracked and lifted. Consideration should be given to installing a landing at this area, which would operate as a dam and meet legal requirements as well as repair the cracked area.



**Photo #19:** Cracked concrete



**Photo #20:** Joints between concrete and brick walls. This should be sealed with caulking, which would prevent damages to the subbase materials.



**Photo #21:** The caulking of the windows is deteriorated, and should be scheduled for replacement in the near future.





**Photo #22:** The rear of the building windows require to be refinished.



**Photo #23:** Newly installed fence at Downtown II



**Photo #24:** Electric service to units

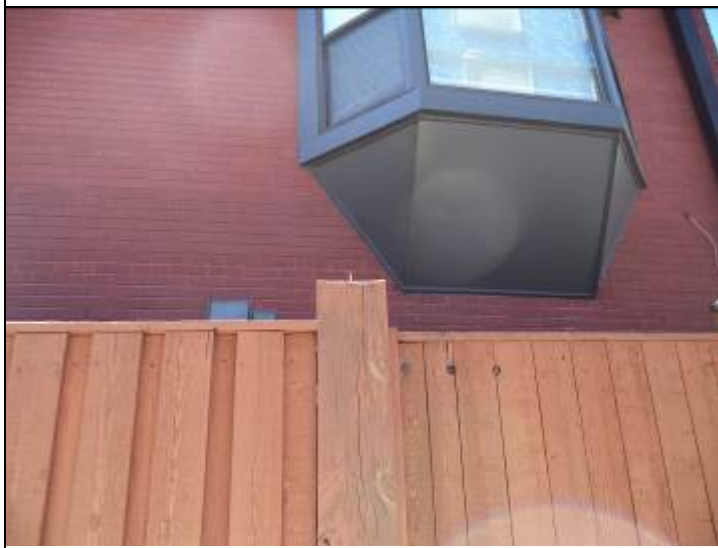




**Photo #25:** Some of the lower boxes for the electric service are oxidizing. Consideration should be given to having these cleaned and painted.



**Photo #26:** Property mailboxes



**Photo #27:** Newly installed fence at Downtown II has a missing post.



**Photo #28:** At the rear of building on 12th Street there is a large crack that should be properly repaired and monitored.



**Photo #29:** There are cracks in the concrete parking, which should be sealed.



**Photo #30:** One section of the rear concrete parking is damaged, and should be scheduled for replacement.