

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA

In re:))
)	
TERRACE MANOR, LLC,)	Case No.: 17-00175-SMT
)	
Debtor.)	Chapter 11
)	
)	
)	

LINE FILING REDLINE AND CLEAN VERSIONS OF DISCLOSURE STATEMENT
TO THE AMENDED PLAN OF REORGANIZATION OF TERRACE MANOR, LLC

Terrace Manor, LLC, the Debtor and Debtor in Possession, by its unsigned counsel, hereby files the attached redlined (Exhibit A) and “clean” (Exhibit B) versions of the Disclosure Statement for Debtor’s Second Amended Plan as modified as directed by the court at the hearing held July 5, 2017.

Dated: July 21, 2017

Respectfully Submitted by,

/s/ Brent C. Strickland
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CERTIFICATE OF SERVICE

I hereby certify that on July 21, 2017, I served a copy of foregoing was served via the Court's electronic noticing system on all parties receiving notice thereby.

/s/ Nelson C. Cohen
Nelson C. Cohen

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA

In re:)	
)	
TERRACE MANOR, LLC,)	Case No.: 17-00175(SMT)
)	
Debtor.)	Chapter 11

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR DEBTOR'S SECOND AMENDED PLAN OF REORGANIZATION

Terrace Manor, LLC, the debtor and debtor-in-possession herein (the "Debtor" or "Terrace Manor"), by counsel, hereby submits this Disclosure Statement (the "Disclosure Statement") pursuant to § 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") to all holders of Claims against or Interests in the Debtor, as a prerequisite to soliciting acceptances to the Debtor's Second Amended Plan of Reorganization (the "Plan"), which has been filed by the Debtor with the Clerk of the United States Bankruptcy Court for the District of Columbia.

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I. INTRODUCTION

The purpose of this Disclosure Statement¹ (the “Disclosure Statement”) is to furnish information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor’s books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims against or Interests in the Debtor to make an informed judgment about whether to accept or reject the Debtor’s Plan filed in this bankruptcy case. The Debtor believes that this Disclosure Statement contains

¹ The term “Disclosure Statement” as used herein shall encompass all exhibits annexed hereto as well as the Disclosure Statement document itself.

“adequate information,” as that term is defined in § 1125(a)(1) of the Bankruptcy Code, for holders of Claims against or Interests in the Debtor as required by § 1125 of the Bankruptcy Code. The transmittal of this Disclosure Statement does not represent, and should not be interpreted as being, the Bankruptcy Court’s recommendation to either accept or reject the Plan.

Definitions

Unless otherwise defined herein, the capitalized terms used in this Disclosure Statement shall be defined as set forth in the Debtor’s Plan.

List of Enclosures

Also accompanying the Disclosure Statement are the following documents (the “Enclosures”), each of which is incorporated by reference:

Enclosure 1: The Plan

Enclosure 2: Order Approving Disclosure Statement, Setting Hearing on Confirmation of Plan and Fixing Time for Filing Acceptances or Rejections of Plan, Combined with Notice Thereof

Plan Supplement

On or before ~~ten (10)~~ twenty-one (21) calendar days before the Confirmation Hearing, the Debtor will file any other documents as may be necessary or appropriate to implement the terms and provisions of the Plan (the “Plan Supplement”).

Availability of Other Information

The entire Court file on this Bankruptcy Case is available for review at the Office of the Clerk, United States Bankruptcy Court for the District of Columbia, 333 Constitution Avenue, NW, Suite 1225, Washington, D.C. 20001, during the Bankruptcy Court’s regular business hours. Additionally, certain items may be available online through the PACER website: Court’s

Pacer website: <http://ecf.dcb.uscourts.gov>. Persons with questions about the Plan or this

Disclosure Statement may contact the Debtor's counsel as follows:

- Brent C. Strickland, Esq. (e-mail bstrickland@wtplaw.com or 410-347-8700)
- Nelson C. Cohen, Esq. (e-mail ncohen@wtplaw.com or 301-804-3618)

Voting, Disclaimer, and Supremacy of Plan Provisions

After carefully reviewing the Plan, this Disclosure Statement, all of the Exhibits annexed hereto and all of the Enclosures herewith, please indicate your vote on the enclosed Ballot and return your Ballot to the Debtor's counsel at the following address: Nelson C. Cohen Esq., Whiteford, Taylor & Preston, LLP, 7501 Wisconsin Avenue, Suite 700W, Bethesda, MD 20814.

On July __, 2017, the Bankruptcy Court entered an Order approving this Disclosure Statement for distribution to creditors (the "Disclosure Statement Order").

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

THE PLAN AND THIS DISCLOSURE STATEMENT ARE NOT REQUIRED TO BE AND HAVE NOT BEEN PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NONBANKRUPTCY LAW. NONE OF THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL OR REGULATORY AUTHORITY HAS APPROVED THIS DISCLOSURE STATEMENT, THE PLAN OR ANY SECURITIES OFFERED UNDER THE PLAN, OR HAS PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO REPRESENTATION CONCERNING THE DEBTOR, THE DEBTOR'S BUSINESS OPERATIONS, THE VALUE OF THE DEBTOR'S PROPERTY, OR THE PLAN, ARE AUTHORIZED BY THE DEBTOR UNLESS SET FORTH IN THIS DISCLOSURE STATEMENT. ACCORDINGLY, NO REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD BE RELIED UPON IN EXERCISING THE RIGHT TO VOTE OR NOT TO VOTE ON THE ACCEPTANCE OF THE PLAN AND ANY SUCH REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED IMMEDIATELY TO COUNSEL FOR THE DEBTOR.

THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, THE PLAN SUPPLEMENT, AND THE EXHIBITS ATTACHED THERETO, AND THE AGREEMENTS AND DOCUMENTS DESCRIBED THEREIN. IF THERE IS A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN. YOU ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND THE PLAN SUPPLEMENT AND TO READ CAREFULLY THE ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, BEFORE DECIDING HOW TO VOTE WITH RESPECT TO THE PLAN.

THE FINANCIAL INFORMATION SUBMITTED WITH THE DISCLOSURE STATEMENT AND PLAN HAS NOT BEEN SUBJECT TO AUDIT AND ANY ESTIMATES OF CLAIMS OR INTERESTS IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR INTERESTS ALLOWED BY THE

BANKRUPTCY COURT. FURTHER, ANY ESTIMATES OF RECOVERIES IN THIS DISCLOSURE STATEMENT MAY VARY FROM RECOVERIES ACTUALLY RECEIVED.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTEREST OF ALL CREDITORS. THE PLAN AND DISCLOSURE STATEMENT ARE COMPLEX INSOFAR AS THEY CONSTITUTE A LEGALLY BINDING COMMITMENT BETWEEN THE CREDITORS AND THE DEBTOR. ACCORDINGLY, CREDITORS AND PARTIES-IN-INTEREST ARE URGED TO SEEK LEGAL COUNSEL IF UNSURE OF THE EFFECT OF THE PLAN AND DISCLOSURE STATEMENT.

THE ABSENCE OF PENDING OBJECTIONS TO CLAIMS OR PENDING AVOIDANCE ACTIONS OR THE ABSENCE OF AN INDICATION HEREIN OF POTENTIAL OBJECTIONS TO CLAIMS OR AVOIDANCE ACTIONS, SHALL NOT SERVE AS A WAIVER OF SUCH RIGHTS, AND ALL CREDITORS AND PARTIES-IN-INTEREST ARE HEREBY EXPRESSLY ON NOTICE THAT THEY SHOULD NOT RELY ON THE DISCLOSURE STATEMENT OR ABSENCE OF NOTICE OF AN OBJECTION OR POSSIBLE AVOIDANCE ACTION UNDER SECTIONS 542-550 OF THE BANKRUPTCY CODE, AS A DEFENSE TO SUCH FUTURE OBJECTION OR AVOIDANCE ACTION.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THE DISCLOSURE STATEMENT IS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER.

THE DESCRIPTION OF THE PLAN IN THE DISCLOSURE STATEMENT IS A SUMMARY ONLY, AND CREDITORS AND OTHER PARTIES-IN-INTEREST ARE

URGED TO REVIEW THIS ENTIRE DISCLOSURE STATEMENT AND ITS EXHIBITS, THE DETAILED DESCRIPTION OF THE PLAN CONTAINED HEREIN AND THE PLAN ITSELF, WHICH IS ANNEXED HERETO AS ENCLOSURE 1, FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS.

II. HISTORY AND BACKGROUND

The Debtor is a limited liability company organized under the laws of Delaware. The Debtor is the owner of a 61-unit apartment building located at 3341-3353 23rd Street SE, 2276 Savannah Street SE, and 2270-2272 Savannah Street SE, Washington, DC 20020 (the "Property"). The Debtor acquired the Property in December of 2012.

As of the Petition Date, approximately 13 of 61 units of the Property were occupied pursuant to various rental leases. When the Debtor acquired the Property approximately fifty (50) of the units were occupied. However, many tenants have been evicted for the nonpayment of rent. The aggregate amount of the monthly rents generated from the leases is approximately \$9,000.00.

EagleBank ("EagleBank") is owed approximately \$2,842,728.07 as of April 27, 2017, from the Debtor pursuant to a certain note executed by the Debtor (the "Note"). EagleBank has a security interest in the Property and its rental income pursuant to various loan documents (collectively, the "Loan Documents") to secure the Note. The Debtor is not aware of any other liens on the Property. The Debtor expects to pay EagleBank in full from the sale proceeds at closing on the sale of the Property. The Debtor has scheduled its other prepetition creditors with claims of approximately \$1,537,214, however a number of those claims are unliquidated and disputed. The District of Columbia has asserted additional CPPA claims against the Debtor which are disputed by the Debtor and remain unliquidated. In the event that the District of

Columbia is successful in prosecuting the CPPA claims, the Debtor believes that its maximum liability is less than \$500,000.

III. EVENTS LEADING TO THE DEBTOR'S CHAPTER 11 PETITION

Rental Income from the Property has been insufficient to pay all of the expenses associated with the Property. The total monthly rental income received by the Debtor is approximately \$9,000. The Debtor's monthly expenses total approximately \$40,000.00. In order to fund the shortfall, the Terrace Manor Member has been making periodic loans to the Debtor. The Terrace Manor Member is no longer willing to indefinitely continue to fund the Debtor's cash flow shortfall. Therefore, the Debtor determined that it was necessary to sell the Property in an expedited manner to prevent a further deterioration of the Property upon the cessation of loans from the Terrace Manor Member to fund the operations of the Property.

In October of 2016 the District of Columbia (the "District") brought an action in the Superior Court of the District of Columbia on behalf of current and former tenants of the Debtor against the Debtor, Sanford Capital, LLC ("Sanford") and Oakmont Management, LLC ("Oakmont") (the "Superior Court Case"). The Superior Court Case has 2 essential counts.

The first Count is an enforcement action under its police and regulatory power to force the Debtor to maintain the Property in a safe and habitable manner. In January of 2017 the Debtor, Sanford and Oakmont (the Debtor, Sanford and Oakmont sometimes hereinafter referred to as the "Respondents") agreed to a court-approved Abatement Plan to address all housing code violations. While the Debtor undertook to address all of the housing code violations the District disputed that the housing code violations were abated and threatened to file a motion for a receiver and a contempt motion. The Debtor contends that the housing code violations were abated.

The second Count was for alleged failure to comply with the Consumer Protection Procedures Act (“CPPA”). In the Complaint the District alleged that the Respondents made “promises” to tenants that were not kept and breached the warranty of habitability. The Respondents’ have denied the allegations and any liability under the CPPA.

IV. BANKRUPTCY PROCEEDINGS

The Petition for Relief

On March 30, 2017, Terrace Manor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor is authorized to operate its business and manage its properties as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

The Employment of Professionals by the Debtor

The Debtor has requested that Whiteford, Taylor & Preston, LLP represent it in this bankruptcy case. Whiteford, Taylor & Preston, LLP filed with the Bankruptcy Court an application to be employed as counsel to the Debtor. By order entered May 5, 2017, the court approved the Debtor’s retention of Whiteford, Taylor & Preston, LLP.

Use of Cash Collateral

On March 30, 2017, the Debtor filed a Consent Motion to use the cash collateral of EagleBank (the “Cash Collateral Motion”). On April 3, 2017, the Bankruptcy Court authorized the use of EagleBank’s cash collateral on an interim basis pursuant to a budget presented by Debtor to the Bankruptcy Court and agreed to by EagleBank. The District filed an objection to the use of cash collateral contending, *inter alia*, that the cash collateral budget did not provide sufficient funds to maintain the Property. The Office of the United States Trustee (the “UST”) and the Terrace Manor Tenants Association joined in the District’s objection to the use of cash collateral. The Bankruptcy Court hearing on the Cash Collateral Motion on June 5, 2017. On

June 23, 2017, the Court entered a Final Order Authorizing Debtor's Use of Cash Collateral and Granting Adequate Protection.

Motion to Dismiss

On April 6, 2017, the District filed a Motion to Dismiss this chapter 11 case. As grounds for its motion the District alleged that the Debtor's Chapter 11 petition was filed in bad faith. The Tenants Association joined in the District's motion. The Debtor opposed the motion. A hearing was held before the Court on May 4, 2017 at which time it took evidence and heard the arguments of counsel. At the conclusion of the hearing the Court denied the motion and ruled that the Debtor's petition was not filed in bad faith.

Motion for Appointment of Receiver

Two hearings were held before the Honorable John M. Mott in the Superior Court of the District of Columbia on the District's Motion for the Appointment of a Receiver (the "Receiver Motion"). As a result of Judge Mott's encouragement, the parties to that litigation entered into settlement discussions to resolve the Receiver Motion. The parties then agreed to the terms of a Consent Order, which was entered on May 25, 2017. A copy of the Consent Order (the "Receiver Order") is attached to this Disclosure Statement as Exhibit A. the Receiver Order provides a mechanism to abate D.C. housing code violations and health and safety issues. The consent order was subject to the approval of the Bankruptcy Court, and the Debtor filed a motion seeking such approval on May 25, 2017. The Bankruptcy court entered an order on May 30, 2017, approving the settlement. Marc Albert is now the Receiver for limited purposes. Those limited purposes are (a) to identify and abate D.C. Code violations and (b) identify and abate health and safety issues at the Property. The ~~consent-Receiver order-Order~~ provides a mechanism for the funding to pay for the expenses of the Receiver. For complete details of the

~~Consent-Receiver~~ Order see Exhibit A. ~~The Receiver filed his report with the Superior Court for the District of Columbia on June 28, 2017. A copy of that report is attached hereto as Exhibit B.~~ As a result of the appointment of the Receiver, the Debtor believes that ~~all~~ Housing Code violations and/or health and safety issues, if any, at the Property are or will ~~either~~ be abated prior to Confirmation ~~or an agreement will be reached with the purchaser of the Property, the Receiver, the District of Columbia and the Tenant's Association to complete the abatement after the closing on the sale.~~ ~~the Debtor, Sanford Capital and Oakmont Management have filed an objection to the Receiver's Report. At such time as the Superior Court issues an order on approval of that report, a copy of such order will be provided to all parties in interest.~~

The Debtor also believes that the Receiver Order supersedes the Abatement Plan previously entered into with the District of Columbia. ~~Finally, the Debtor believes that as of the Confirmation Date the Receiver will have abated all D.C Code violations and health and safety issues at the Property.~~ While the Debtor does not believe that the Abatement Plan is an executory contract, to the extent it may be determine to be so, it will be rejected.

Funding during the Chapter 11 Case

The Debtor's cash flow is not sufficient to pay all of its obligations during this Chapter 11 case. The Debtor has submitted a cash collateral budget of expenses for the period of the petition date through the date estimated confirmation date. Sanford Capital, LLC, the Debtor's parent company, and Oakmont Management Group, the Debtor's property manager, have agreed to fund the expenses set forth in this budget of approximately \$84,000. This budget covers the period from April 2, 2017, to August 14, 2017. Subsequent to August 14, 2017, Sanford Capital, LLC and Oakmont Management Group have the discretion to make additional advances to the Debtor, but are not obligated to do so. The Debtor has filed a motion with the Bankruptcy Court

to approve the postpetition loans of Sanford Capital, LLC and Oakmont Management Group. On June 23, 2017, the Court entered an Order Granting Motion to Obtain Post-Petition Financing Pursuant to § 364(b).

V. **THE PROPOSED SALE**

The Sale-Asset Purchase Agreement

The Plan contemplates the sale of the Property to an unrelated third party purchaser, the assumption and assignment of the Assigned Executory Contracts and Unexpired Leases identified on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as Exhibit A to the Plan or will be provided in the Plan Supplement, and the rejection of the remaining executory contracts and unexpired leases.

The Debtor previously entered into the Sale-Asset Purchase Agreement with Equilibrium Terrace Manor, LLC (“Equilibrium TM”) on June 14, 2016. A copy of the Asset Purchase Agreement is attached hereto as Exhibit BC. On May 23, 2017, Equilibrium TM notified the Debtor that, while it was still committed to purchasing the Property, it may be necessary to modify the Sale Agreement to reflect changes caused by the passage of time. In the event that the Sale-Asset Purchase Agreement is modified, it will be filed with the Bankruptcy Court and served on all parties receiving this Disclosure Statement.

Equilibrium TM is an affiliate of Equilibrium Real Estate Investments (“Equilibrium Investments”). Equilibrium Investments has been in business since 2000. Since 2000 it has acquired and managed more than forty (40) properties. Equilibrium Investments primarily purchases properties in low income areas, rehabilitates them and then manages those properties. It currently owns and manages over 1100 units located primarily in Arizona and the Washington D.C. metropolitan area. Equilibrium TM has informed the Debtor that it intends to rehabilitate

the Property and then attempt to reach full occupancy. Since May 23rd Equilibrium TM has conducted an inspection of the Property and had discussions with representatives of the current tenants to discuss its plans for rehabilitation of the Property.

The following is a summary of the [Sale-Asset Purchase Agreement with Equilibrium TM](#).²

1. **The Buyer.** The Buyer is Equilibrium Terrace Manor, LLC and/or Assigns. The Buyer is not affiliated in any manner with the Debtor or its principals
2. **Price:** The purchase price is \$5,856,000.00, cash at closing.
3. **Executory Contracts and Leases:** The Buyer's purchase of the Debtor's executory contracts and leases is included in the purchase price. In accordance with the [Sale Asset Purchase Agreement](#), the Buyer will select those executory contracts and unexpired leases it wants the Debtor to assume and assign to the Buyer, which are listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as [Exhibit A](#) to the Plan or provided in the Plan Supplement. The [Sale Asset Purchase Agreement](#) provides that the purchaser will assume all current tenant leases. The Sale Agreement provides that the Debtor is responsible for the payment of any and all cure amounts necessary to assume and assign the Assigned Executory Contracts and Unexpired Leases.
4. **Feasibility Period:** There was a due diligence or study period which has expired.
5. **Financing Contingency:** There was a financing contingency which has been satisfied.
6. **Closing:** Closing shall occur upon the later of sixty (60) days after the expiration of all contingencies in the contract or thirty (30) days after the entry of an order confirming the Debtor's Plan.
7. **Expenses:** Generally, the [Sale-Asset Purchase Agreement](#) provides that each party will bear its own expenses in conjunction with the sale.
8. **Commissions:** There is a brokerage fee to be paid by the Debtor from the sale proceeds to Daniel Crosby, Licensed Agent with Drachman Real Estate in an amount equal to 3.0% of the purchase price upon closing.

² This summary is not intended to be exhaustive. To the extent that any differences exist between this summary and the terms of the [Sale-Asset Purchase Agreement](#), the [Sale Asset Purchase Agreement](#) shall control. A copy of the Sale Agreement is attached as [Exhibit BC](#).

Higher and Better Offers

The Plan contemplates that there may be higher and better offers for the Sale of the Property. The Debtor has now received another offer for the purchase of the Property. That offer is from 3341 23rd, LLC, a District of Columbia limited liability company (“3341 23rd”). A copy of the sale agreement with 3341 23rd is attached hereto as Exhibit ED. Because of the statements by counsel for Equilibrium that its prior offer is or may no longer be enforceable and may require modifications, the Debtor has made a determination that the 3341 23rd offer is, at present, the highest and best offer for the purchase of the Property.

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3341 23rd is an affiliate of Kaye Stern Properties (“Kaye Stern”). Kaye Stern has been in business in the District of Columbia since 2012, providing high-quality, safe, and affordable housing. It currently manages 300 units exclusively in the District of Columbia.

Kaye Stern develops and manages its own properties. It provides construction and design for both common areas and renovated units. It also provides 24/7 maintenance and daytime office staffing along with a 24 hour emergency hotline for all of its properties. Kaye Sterns principals are Jason Stern and Jesse Kaye.

~~(The following is a summary of the offer from 3341 23rd Kaye Stern has represented to the Debtor that it intends to renovate and rehabilitate the Property after the closing~~

~~Selection of Highest and Best Offer~~
~~At least ten (10) calendar days prior to the commencement of the Confirmation Hearing, the Debtor will file a Praecipe with the Bankruptcy Court notifying the court of which offer for the purchase of the Property it deems to be the highest and best offer. Any bona fide offers for the purchase of the Property received after the distribution of this Disclosure Statement will be served by the Debtor on the District of Columbia, the Tenant’s Association, the Office of the United States Trustee and EagleBank. At the Confirmation Hearing the Bankruptcy Court will make a determination of which offer(s) is the highest and best offer.~~

~~The following is a summary of the offer from 3341 23rd, LLC;~~

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1. The Buyer. The buyer is 3341 23rd, LLC and/or its assigns. 3341 23rd is not affiliated in any manner with the Debtor or its principals
2. Price: The purchase price is \$5,900,000.00, cash at closing.
3. Executory Contracts and Leases: 3341 23rd's purchase of the Debtor's Property includes the assumption of all unexpired leases. The Debtor is responsible for the payment of any and all cure amounts necessary to assume and assign the Assigned Executory Contracts and Unexpired Leases
4. Closing: Closing shall occur upon the later of (1) August 15, 2017; or ten (10) days after the entry of an order confirming the Debtor's Plan.
5. Expenses: Generally, the Sale Agreement provides that each party will bear its own expenses in conjunction with the sale.
6. Commissions: There is no brokerage fee to be paid by the Debtor from the sale proceeds. However, 3341 23rd will receive a credit in an amount equal to 3.0% of the purchase price upon closing.

The two pending offers for the purchase of the Property are not the result of a marketing effort by the Debtor, but result from unsolicited offers from independent third parties. The Debtor does not believe that a formal marketing of the Property would have resulted in a higher sale price.

Selection of Highest and Best Offer

At least twenty-eight (28) calendar days prior to the commencement of the Confirmation Hearing, the Debtor will file a Praecipe with the Bankruptcy Court notifying the Court of which offer for the purchase of the Property it deems to be the highest and best offer. Any bona fide offers for the purchase of the Property received after the distribution of this Disclosure Statement will be served by the Debtor on the District of Columbia, the Tenant's Association, the Office of the United States Trustee and EagleBank. At the Confirmation Hearing the Bankruptcy Court will make a determination of which offer(s) is the highest and best offer.

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The Avoidance Actions and Claims of the Debtor Against Insiders

~~Because the Plan will be paying all creditors in full, the Debtor has determined that pursuing Avoidance Actions, if any, is not appropriate or necessary. The Debtor does not believe that it has claims against any Insiders. The Buyer will not be purchasing any Avoidance Actions. The Debtor does not intend to investigate or pursue any potential Avoidance Actions because the Sale will enable the Debtor to pay all Creditors in full.~~

VI. PLAN OF REORGANIZATION

Summary

The Debtor believes that the Plan will allow it to efficiently liquidate its assets and make prompt distributions to creditors. The Plan will result in Creditors receiving a recovery on equal or more favorable terms than if the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code and distributed in accordance with the statutory scheme of priorities contained in the Bankruptcy Code, and a recovery by holders of Interests in the Debtor.

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE DEBTOR STRONGLY URGES YOU TO READ THE PLAN IN ITS ENTIRETY.

**Provision for Payment of Administrative Claims,
Priority Claims and Priority Tax Claims**

Allowed Administrative Expense Claims: Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, holders of Allowed

Administrative Expense Claims will receive Cash equal to the unpaid portion of such Allowed Administrative Expense Claim on the later of (a) the Effective Date, (b) the first Business Day that is ten (10) days following entry of a Final Order allowing such Administrative Expense Claim, or (c) such date as such entity may agree to with the Debtor, provided however, that Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor, as debtor-in-possession, or liabilities arising under other obligations incurred by the Debtor, as debtor-in-possession, whether or not incurred in the ordinary course of business, shall be paid by the Reorganized Debtor in accordance with the terms and subject to the conditions of any orders or agreements governing, instruments evidencing, or other documents relating to, such transactions. Notwithstanding § 503(a) of the Bankruptcy Code, any person seeking payment of an Administrative Expense Claim under § 503 of the Bankruptcy Code that was incurred on or before the Effective Date but which has not been paid by the Debtor, shall be required to file an application for the allowance of final payment of said Claim on or before sixty (60) days after the Effective Date, and any such Claim not filed by that date shall be forever barred and discharged. Objections to any such application shall be filed within thirty (30) days after the filing of the application. Notwithstanding the foregoing, Professional Persons with Administrative Expense Claims shall comply with the provisions of Article 7.7 of the Plan.

Allowed Priority Claims: The holders of Allowed Priority Claims will receive Cash equal to the unpaid portion of such Allowed Priority Claim, on the later of (a) the Effective Date, (b) the first Business Day that is ten (10) days following entry of a Final Order allowing such Administrative Expense Claim, or (c) such date as such entity may agree to with the Debtor.

Allowed Priority Tax Claims: Except to the extent that a holder of an Allowed Priority

Tax Claim agrees to a different treatment, at the sole option of the Reorganized Debtor, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (b) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate, which is consistent with applicable laws or as set by order of the Bankruptcy Court, over a period not exceeding five (5) years after the Petition Date, which shall begin on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. Notwithstanding the foregoing, payment terms for Allowed Priority Tax Claims shall not be less favorable than the treatment of General Unsecured Claims. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due.

Designation of Classes of Claims and Interests

For purposes of the Plan, Claims and Interests are classified as follows:

“Class 1 Claim” shall consist of the Secured Claim of the District of Columbia Office of Tax and Revenue, Real Property Tax Administration.

“Class 2 Claim” shall consist of the Secured Claim of EagleBank.

“Class 3 Claim” shall consist of the Other Secured Claims.

“Class 4 Claims” shall consist of the claim asserted by the District of Columbia on behalf of current and former tenants of the Debtor under the Consumer Protection and Procedures Act (“CPPA”) now pending in the Superior Court of the district of Columbia.

“Class 5 Claims” shall consist of General Unsecured Claims other than the Class 4 and Class 6 Claims.

“Class 6 Claims” shall consist of the General Unsecured claim of Sanford Capital, LLC and Oakmont Management Group.

“Class 7 Interests” shall consist of any Interests held in the Debtor, including without limitation, any and all issued and outstanding membership interests in the Debtor.

Treatment of Claims and Interests Under the Plan

Claims and Interests shall receive the following treatment under the Plan:

Class 1 Claim (District of Columbia Office of Tax and Revenue, Real Property Tax Administration). Class 1 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 1 Claim, the holder of the Class 1 Claim shall receive Cash equal to one hundred percent (100%) of its Allowed Secured Claim plus interest as provided by applicable law, paid pursuant to the Plan and at Closing on the sale of the Property. The holder of the Class 1 Claim shall continue to retain its lien on and security interest in, if any, the Property until Closing on the sale of the Property, at which time the Allowed Class 1 Claim will be paid in full. The holder of the Class 1 Claim is owed approximately \$29,776.79.

Class 2 Claim (EagleBank Secured Claim). Class 2 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 2 Claim, the holder of the Class 2 Claim shall receive cash equal to one hundred percent (100%) of its Allowed Secured Claim, paid pursuant to the Plan at Closing on the sale of the Property. The holder of the Class 2 Claim shall

continue to retain its lien and security interest, if any, in the Property until Closing on the sale of the Property, at which time the Allowed Class 2 Claim will be paid in full for all undisputed amounts. In the event that a closing of the Sale occurs while disputes remain pending regarding the allowance of any portion of the Class 2 Claim, the Property shall be sold free and clear of all Liens and Claims of EagleBank. In such event, the Debtor shall pay the undisputed amount of the Class 2 Claim at closing and, further, shall establish the EagleBank Reserve from the proceeds of Sale. The Liens and Claims of EagleBank shall attach to the EagleBank Reserve.

The amount of Cash to be held in the EagleBank Reserve shall be set ~~by~~ in an amount to be agreed to by the Debtor and EagleBank and, if no agreement can be reached, shall be determined by the Bankruptcy Court at the Confirmation Hearing. The EagleBank Reserve shall be held until such time as the Court has entered a Final Order allowing or disallowing the disputed portion of the Class 2 Claim, or until EagleBank authorizes in writing the release of the EagleBank Reserve. EagleBank is owed approximately \$2,842,728.07 as of April 27, 2017.

Class 3 Claims (Other Secured Claims, if any). Class 3 is unimpaired by the Plan. In full and complete satisfaction, discharge and release of the Class 3 Claims, each holder of an Allowed Other Secured Claim shall receive, at the option of the Debtor, either (i) Cash in an amount equal to one hundred percent (100%) of the Allowed Other Secured Claim, (ii) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such Collateral, net of the costs of disposition of such Collateral, (iii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code, including the surrender of any such Collateral; or (iv) such other treatment as the Debtor and such holder of an Other Secured Claim may agree. The holders of Allowed Class 3 Claims shall continue to retain any liens on the Collateral which

secured such claims on the Petition Date to the extent said Collateral has not been sold or otherwise liquidated prior to the date of the Closing. The Debtor does not believe there are any Class 3 Claims.

Class 4 Claim (District of Columbia CPPA Claim on behalf of current and former tenants of the Property). Class 4 is unimpaired under the Plan. In full and complete satisfaction, discharge and release of the Class 4 Claim, the holder of the Class 4 Claim shall receive (i) cash equal to one hundred percent (100%) of its Allowed Claim, plus interest at the federal judgment rate in effect as of the Petition Date from the later of the Petition Date or the date the Class 4 Claim becomes liquidated through the date on which the Class 4 Claim is paid in full pursuant to the Plan; or (ii) such other amount as may be agreed upon by the Debtor and the District of Columbia. The Class 4 Claim is disputed by the Debtor and believes it has no value. In the event that the District of Columbia is successful in prosecuting this the Class 4 Claim the Debtor believes that its maximum liability is less than \$500,000.00. The allowed Class 4 Claim shall be paid within ten (10) days after the Effective Date. If the class 4 claim becomes an Allowed Claim after ten (10) days after the Effective Date, such Allowed Class 4 Claim will be paid on or before ten (10) business days after it is Allowed.

Class 5 Claim (General Unsecured Claims Other than the Class 4 and Class 6 Claims). Class 5 is unimpaired by the Plan. In full and complete satisfaction, discharge and release of the Class 5 Claims, the holders of the Class 5 Claims shall receive cash equal to one hundred percent (100%) of their Allowed Claims, plus interest at the federal judgment rate in effect as of the Petition Date from the later of the Petition Date or the date that the Claim became liquidated through the date on which the Claim is paid in full, paid pursuant to the Plan. Allowed Class 5 Claims shall be paid within ten (10) days after the Effective Date. If a Class 5 Claim becomes

an Allowed Claim after ten (10) days after the Effective Date, such Allowed Class 5 Claim will be paid on or before ten (10) business days after the claim is Allowed. The claims of the Class 5 creditors are estimated at \$266,576.29).

Class 6 Claim (Unsecured Claim of Sanford Capital, LLC and Oakmont Management Group. Class 6 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 6 Claims, the holders of the Class 6 Claims shall receive cash equal to one hundred percent (100%) of their Allowed Claims, plus interest at the federal judgment rate in effect as of the Petition Date from the later of the Petition Date or the date that the Class 6 Claims becomes Allowed Claims to the date the Claims are paid. If the Class 6 Claims become Allowed Claims after ten (10) days after the Effective Date, such Allowed Class 6 Claim will be paid on or before ten (10) business days after the Claim is Allowed. In the event that the proceeds from the sale of the Property are not sufficient to pay the Allowed Class 1-5 Claims in full, after a reserve for disputed Class 1-5 Claims, the Class 6 Claims shall be subordinated to the Class 1-5 Claims and shall be paid only after all Allowed Claims in Classes 1-5 have been paid in full.

Class 7 Interests (Terrace Manor Membership Interests). Class 7 is unimpaired by the Plan. The holders of the Class 7 Interests shall retain all of their ownership interests in the Reorganized Debtor. Upon the payment in full of all Allowed Class 1-6 Claims, any remaining Cash on hand may be distributed by the Reorganized Debtor in its sole discretion.

Liquidation of the Debtor's Estate

Distributions: The proceeds of the Sale, the ~~Reorganized Reorganized~~ Debtor's Cash, and the ~~Reorganized Reorganized~~ Debtor's accounts receivable will fund Distributions required under the Plan in accordance with the priorities set forth in Article IV of the Plan.

Means of Execution of the Plan

Authority of Reorganized Debtor: By confirmation of the Plan, the ~~Reorganized~~ Reorganized Debtor is authorized to take all actions and execute all documents necessary to carry out its duties under the Plan. In carrying out such duties, the ~~Reorganized~~ Reorganized Debtor shall comply with all applicable laws.

Rights, Duties and Obligations of ~~Reorganized~~ Reorganized Debtor: On the Effective Date, the ~~Reorganized~~ Reorganized Debtor alone shall have the following rights, duties, and obligations, *inter alia*:

- a. to use, sell or lease any or all of the property of the Estate;
- b. to distribute funds to holders of Allowed Claims and Allowed Interests
- c. to maintain the Distribution Account created pursuant to the Plan;
- d. to file a final report and move to close the Debtor's Chapter 11 Case; and
- e. any other duties of a debtor consistent with the Bankruptcy Code, payment

consistent with the terms of the Plan;

to holders of Claims, and to implement the Plan.

Claim Objections: The Debtor and, after the Effective Date, the ~~Reorganized~~ Reorganized Debtor shall have the right, duty, and obligation to review the Debtor's Schedules and any Claims or Interests filed in this Chapter 11 Case and to object to any such Claims or Interests on or before one hundred and eighty (180) days after the Bar Date or Government Bar Date, as applicable.

Sale of Assets: The Confirmation Order shall authorize the Debtor to take all actions required to complete Closing on the Property. The sale of the Property pursuant to the Asset Purchase Agreement and the Plan in all respects shall be free and clear of all liens pursuant to §§

105 and 363 of the Bankruptcy Code, free of all rights of tenants under the District of Columbia Tenant Opportunity to Purchase Act (“TOPA”), and an assumption and assignment of executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code, in accordance with and under the provisions of § 1123 of the Bankruptcy Code, as provided for in the Plan, confirmed pursuant to § 1129 of the Bankruptcy Code, effectuated pursuant to § 1141 of the Bankruptcy Code, and in accordance with § 1146 of the Bankruptcy Code. If a person who (i) asserts a lien with respect to the Property or (ii) is a party to an Assigned Executory Contract or Unexpired Lease, does not object to the Plan, such person shall be deemed to have consented to the sale of such Property free and clear of such person’s asserted lien, to the assignment of any such Assigned Executory Contract or Unexpired Lease, including the Debtor’s proposed cure amount relating to the assumption and assignment of any executory contract or unexpired lease, and to have consented to the treatment provided for such person under the Plan. In the event that the Asset Purchase Agreement is terminated or the transactions contemplated in such Asset Purchase Agreement do not occur for any reason, the Debtor shall pursue a sale of the Property to another purchaser. an.

Closing under the Asset Purchase Agreement and Consummation of the Plan: On and after the Confirmation Date, the Debtor shall take all reasonable actions necessary to consummate and implement the Plan, including the transactions provided for in the Asset Purchase Agreement and will execute and deliver any related agreements, documents or other instruments. Without limiting the generality of the foregoing, the Asset Purchase Agreement and any related documents, agreements or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of

the Bankruptcy Court; provided, that any such modification, amendment or supplement does not have a material adverse effect on the Estate or Creditors.

~~Sale of Property: In the event that the Sale Agreement is terminated or the transactions contemplated in such Sale Agreement do not occur for any reason, the Debtor shall pursue a sale of the Property to another purchaser.~~

Vesting of Assets: On the Effective Date, by virtue of the Confirmation of the Plan, the assets of the Estate shall vest in the ~~Reorganized-Reorganized~~ Debtor, free and clear of all liens, claims or encumbrances except as set forth in the Plan, and no further order of court shall be required for the ~~Reorganized-Reorganized~~ Debtor to sell, convey, loan, or encumber the Property in any manner.

Plan Funding: The sources for funding of the Plan shall include, but shall not be limited to, the sale of the Property pursuant to the Asset Purchase Agreement.

Termination of Business:- The Debtor will cease doing business upon the closing of this case.

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Transfer of Property: Holders of Claims and Interests shall be paid in accordance with their priorities set forth in the Bankruptcy Code and the terms set forth in the Plan. Upon confirmation of the Plan, the Debtor shall be designated pursuant to § 1142(b) of the Bankruptcy Code to execute or deliver any instrument required to effect a transfer of any property dealt with by the Plan and to perform any act that is necessary for the consummation of the Plan.

Provisions Governing Distributions

Distributions. Commencing on the Effective Date, the Reorganized Debtor shall make payments, in Cash, to the holders of all Allowed Claims and Interests in accordance with the

terms and conditions of the Plan. The ~~Reorganized Reorganized~~ Debtor may pre-pay, in full or in parts, any payments under the Plan without penalty. The ~~Reorganized Reorganized~~ Debtor shall act as disbursing agent for the purpose of making those distributions provided under the Plan.

Distributions of Cash. At the option of the ~~Reorganized Reorganized~~ Debtor, any Cash payment to be made by the ~~Reorganized Reorganized~~ Debtor pursuant to the Plan may be made by check drawn on a domestic bank or by wire transfer.

Delivery of Distributions and Undeliverable Distributions. Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address as set forth on the proofs of Claim filed by such holders or other writing notifying the Debtor (or, after the Effective Date, the ~~Reorganized Reorganized~~ Debtor) of a change of address. If any holder's distribution is returned as undeliverable, the holder of any such Claim or Interest shall not be entitled to any other or further distribution under the Plan on account of such Claim or Interest unless the Debtor is notified of a new address within thirty (30) days of the Debtor's receipt of such returned distribution.

Withholding and Reporting Requirements. In connection with the Plan and all documents executed in connection therewith and distributed thereon, the ~~Reorganized Reorganized~~ Debtor shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements.

Time Bar to Cash Payments. Checks issued by the ~~Reorganized Reorganized~~ Debtor in respect of Allowed Claims or Interests shall be null and void if not negotiated within forty-five

(45) days after the date of issuance thereof. Requests for reissuance of any check shall be made to the ~~Reorganized~~ Debtor by the holder of the Allowed Claim or Interest to whom such check originally was issued. On the last distribution date, all distributions for which checks were not requested to be reissued shall be used to satisfy the costs of administering and fully consummating the Plan and the holder of any such Claim or Interest shall not be entitled to any other or further distribution under the Plan on account of such Claim or Interest.

Setoffs. The ~~Reorganized~~ Debtor may, in accordance with § 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor or the ~~Reorganized~~ Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Debtor-in-Possession, or the ~~Reorganized~~ Debtor of any such claims, rights and causes of action that the Debtor, the Debtor-in-Possession, or the ~~Reorganized~~ Debtor may possess against such holder; and provided further, however, that any claims of the Debtor arising before the Petition Date shall first be setoff against Claims against the Debtor arising before the Petition Date. Unless otherwise stipulated in writing by the Debtor, or asserted pursuant to a timely filed Proof of Claim, any party against whom a claim or counterclaim is asserted by the Estate must assert or must have asserted any setoff rights, right of subrogation, or recoupment of any kind against such claim at the time it answers such claim, or such right of setoff, subrogation or recoupment will be deemed waived and forever barred. Notwithstanding the foregoing, nothing herein shall affect the setoff rights of any taxing authority.

Professional Persons with Administrative Expense Claims. Notwithstanding § 503(a) of the Bankruptcy Code, each Professional Person or firm retained with approval by order of the Bankruptcy Court requesting compensation in this Chapter 11 Case pursuant to §§ 330 or 503(b) of the Bankruptcy Code for any fees for services rendered or reimbursement of expenses incurred on or before the Effective Date, shall be required to file an application for the allowance of final payment of said fees and expenses on or before sixty (60) days after the Effective Date, and any such claim not filed by that date shall be forever barred and discharged. Objections to any such application shall be filed within fourteen (14) days after the filing of the application. Each Secured Creditor seeking payment or reimbursement of fees for services rendered by a Professional Person in respect of this Chapter 11 Case and pursuant to § 506(b) of the Bankruptcy Code, shall be required to file an application for the allowance of final payment of said fees within thirty (30) days of its receipt of notice from the Debtor that the Debtor believes such fees to be unreasonable. In the event that the Debtor determines that such Professional Person's fees, incurred by a Secured Creditor and requested in accordance with § 506(b) of the Bankruptcy Code are not reasonable, the Debtor shall place such disputed funds into the Distribution Account upon Closing, pending the Bankruptcy Court's entry of a Final Order resolving the allowance or disallowance of such fees.

Retention of Professionals After the Effective Date. From and after the occurrence of the Effective Date, the Reorganized Debtor may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist him in fulfilling his obligations under the Plan, and on whatever fee arrangement he deems appropriate, including, without limitation, hourly fee arrangements and contingency fee arrangements. Professionals engaged by the Reorganized Debtor shall not be

required to file applications for compensation in order to receive the compensation provided for herein. The Reorganized Debtor may pay any fees and expenses of its professionals incurred after the Effective Date without further order of the Bankruptcy Court.

Transactions on Business Days. If the date on which a transaction is scheduled to occur under the Plan falls on a day that is not a Business Day, the transactions contemplated by the Plan to occur on such day may instead occur on said day or the next Business Day.

**Procedures for Resolving and Treating Disputed
Claims and Interests**

No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, the Reorganized Debtor is not required to distribute Cash or other property under the Plan on account of any Disputed Claim or Interest, unless and until such Claim or Interest becomes an Allowed Claim or Interest. The Reorganized Debtor may, in its sole discretion, pay any undisputed portion of a Disputed Claim.

Resolution of Disputed Claims or Interests. The Debtor and, on the Effective Date, Reorganized Debtor shall have the right to make and file objections to Claims or Interests and shall serve a copy of each objection upon the holder of the Claim or Interest to which the objection is made as soon as practicable, but in no event later than one hundred and eighty (180) days after the Bar Date or Government Bar Date, whichever is applicable. From and after the Confirmation Date, all objections shall be litigated to a Final Order except to the extent the Reorganized Debtor elects to withdraw any such objection or the Reorganized Debtor and the claimant elect to compromise, settle or otherwise resolve any such objection, in which event they may settle, compromise or otherwise resolve any Disputed Claim or Interest without the approval or order of the Bankruptcy Court.

Reserve for Disputed Claims. In the event that the Effective Date occurs while disputes remain pending regarding the allowance of any portion of a Class 1, 3, 4, or 5 Claim, the Debtor shall pay the undisputed portion of any such Claim as required and, further, shall establish a Reserve from the proceeds of Sale. The amount of Cash to be held in the Reserve shall be in an amount equal to the difference between the undisputed and disputed portions of all disputed Class 1, 3, 4 or 5 Claims, or in such other amount as may be agreed to by the Debtor and the Claimant. The Debtor may request that the Court determine the amount to be held in the Reserve. The Reserve shall be held until such time as the Court has entered a Final Order allowing or disallowing the disputed portion of the Class 1, 3, 4 or 5 Claim, or until holder of such claim authorizes in writing the release of the amount held in the Reserve on account of the disputed portion of its Claim -

Estimation. The Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim or Interest pursuant to § 502(c) of the Bankruptcy Code regardless of whether the Reorganized Debtor or the Debtor has previously objected to such Claim or Interest, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim or Interest at any time, including during litigation concerning any objection to such Claim or Interest. In the event that the Bankruptcy Court estimates any Disputed Claim or Interest, that estimated amount may constitute either the Allowed amount of such Claim or Interest or a maximum limitation on such Claim or Interest, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claims or Interests, the Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim or Interest. All of the aforementioned Claims or Interests objection, estimation and resolution

procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims or Interests which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved without the approval or order of the Bankruptcy Court.

Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall, on or before ten (10) days after the Claim becomes an Allowed Claim (if disputed), distribute to the holder of such Allowed Claim the amount of Cash that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

**Treatment of Executory
Contracts and Unexpired Leases**

Executory Contracts and Unexpired Leases. On the Effective Date, all executory contracts and unexpired leases that exist between the Reorganized Debtor and any person shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease that (i) is the subject of motions to assume or reject pending on the Confirmation Date; (ii) was assumed or rejected before the Confirmation Date; (iii) is listed on the Schedule of Assigned Executory Contracts and Unexpired Leases (or such list of executory contracts and unexpired leases to be assumed and assigned to a buyer other than the Buyer) attached to the Plan as Exhibit A or to be included in the Plan Supplement; or (iv) becomes the subject of a dispute over the amount or manner of cure.

Approval of Assumption or Rejection. Entry of the Confirmation Order as of the Effective Date shall constitute: (i) the approval, pursuant to § 365(a) of the Bankruptcy Code, of the assumption by the Reorganized Debtor and assignment to the Buyer of the executory contracts and unexpired leases listed on the Schedule of Assigned Executory Contracts and

Unexpired Leases, pursuant to the terms and conditions of the Sale Asset Purchase Agreement (or, if the Buyer is not the ultimate buyer of the Property, the assignment to a buyer other than the Buyer of such executory contracts and unexpired leases so designated by such buyer); (ii) the approval of the assignment to the Buyer of the executory contracts and unexpired leases assumed by the Debtor prior to the Confirmation Date pursuant to the terms and conditions of the Asset Purchase Agreement; and (iii) the approval, pursuant to § 365(a) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan or otherwise during the Chapter 11 Case or not assigned pursuant to the terms and conditions of the Asset Purchase Agreement. Notwithstanding anything contained herein to the contrary, up to the Confirmation Date, the Debtor (with the concurrence of the Buyer) shall have the right to add to or delete from the Schedule of Assigned Executory Contracts and Unexpired Leases, any executory contract or unexpired lease. The Schedule of Assigned Executory Contracts and Unexpired Leases is attached to the Plan as Exhibit A or will be included in the Plan Supplement.

Cure of Defaults. The Reorganized Debtor shall cure any defaults respecting each executory contract or unexpired lease assumed pursuant to Article IX of the Plan upon the latest of: (i) the Effective Date or as soon thereafter as practicable; (ii) such dates as may be fixed by the Bankruptcy Court or agreed upon by the parties including the Buyer, or as soon thereafter as practicable; or (iii) the first Business Day that is ten (10) days following entry of a Final Order resolving any dispute regarding (a) a cure amount, (b) the ability of the Reorganized Debtor to provide (or to cause Buyer to provide) “adequate assurance of future performance” under the executory contract or unexpired lease assumed pursuant to the Plan in accordance with § 365(b)(1) of the Bankruptcy Code, or (c) any matter pertaining to assumption or the cure of a

particular executory contract or an unexpired lease; provided, that all such cure obligations shall be completed prior to or at or about the Closing of the transactions contemplated by the Asset Purchase Agreement unless Buyer agrees otherwise. The Schedule of Assigned Executory Contracts and Unexpired Leases sets forth the Debtor's proposed cure amounts for each of the Assigned Executory Contracts and Unexpired Leases ~~—In the event that the Property is sold to a buyer other than Equilibrium, the Debtor will provide the non-Debtor parties to the Assigned Executory Contracts and Unexpired Leases with its proposed cure amounts for each Assigned Executory Contract and Unexpired Lease to be assumed and assigned to the respective Purchaser in the Plan Supplement.~~

Objection to Proposed Cure Amount. Non-Debtor parties to the Assigned Executory Contracts and Unexpired Leases listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached to the Plan as Exhibit A or included in the Plan Supplement, that disagree with the Debtor's proposed cure amount set forth on Exhibit A, shall file an objection to the Plan by the Plan Objection Deadline. If a non-Debtor party to an Assigned Executory Contract or Unexpired Lease fails to file an objection to the Plan by the Plan Objection Deadline, such non-Debtor party shall be deemed to consent to the Debtor's assumption and assignment to the Buyer and to the Debtor's proposed cure amount, and shall be forever barred from objecting thereto. ~~In the event that the Property is sold to a buyer other than Equilibrium, the Debtor will provide the non-Debtor parties to such Assigned Executory Contracts and Unexpired Leases with notice and an opportunity to object to the Debtor's proposed cure amounts related to such Assigned Executory Contracts and Unexpired Leases.~~

Bar Date. All proofs of Claim with respect to Claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court no later than

thirty (30) days after the entry of the Confirmation Order. Any Claim not filed within such time shall be forever barred.

Effectiveness of the Plan

Conditions Precedent to the Effective Date. The following are conditions precedent to the Effective Date of the Plan:

(a) The Bankruptcy Court shall have entered an order confirming the Plan in form and substance satisfactory to the Debtor;

(b) All documents, instruments and agreements, in form and substance satisfactory to the Debtor, provided for under or necessary to implement the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby; and

(c) The Closing on the sale of the Property under the Asset Purchase Agreement or in accordance with Article 6.6 of the Plan shall have occurred.

Within fourteen (14) days after the occurrence of the Effective Date, the Reorganized Debtor shall file a pleading entitled "Certification of Occurrence of Effective Date" with the Court in which it shall state the date upon which the Effective Date occurred. The Debtor or the Reorganized Debtor, in their sole discretion, may waive any and all conditions precedent to the Effective Date occurring other than the effectiveness of the order confirming the Plan.

Effect of Confirmation

Release of Assets. Until the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Debtor and the Estate Assets. Thereafter, jurisdiction of the Bankruptcy Court shall be limited to the subject matters set forth in Article XII of the Plan, and the Reorganized Debtor shall perform its affairs as provided in the Plan.

Binding Effect. Except as otherwise provided in § 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, the Debtor and its respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to § 105 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until all obligations of the Reorganized Debtor under the Plan have been performed and the Chapter 11 Case has been closed.

Retention of Jurisdiction

Jurisdiction of Bankruptcy Court. The Bankruptcy Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, §§ 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- (a) To hear and determine any motions for the assumption or rejection of executory contracts or unexpired leases, and the allowance of any rejection Claims resulting therefrom;
- (b) To determine any and all pending adversary proceedings, applications, and contested matters;
- (c) To determine any and all of the Avoidance Actions;
- (d) To hear and determine any objection to any Claims or Interests;

(e) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(f) To issue such orders in aid of execution of the Plan to the extent authorized by § 1142 of the Bankruptcy Code;

(g) To consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(h) To hear and determine all applications for compensation and reimbursement of expenses of professionals under §§ 330, 331, and 503(b) of the Bankruptcy Code;

(i) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(j) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(k) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan, including any release or injunction provisions set forth herein, or to maintain the integrity of the Plan following consummation;

(l) To recover all assets of the Debtor and property of the Estate, wherever located;

(m) To hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under § 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the last distribution date);

(n) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code, title 28 of the United States Code and other applicable law;

(o) To enter a final decree closing the Chapter 11 Case; and

(p) To determine such other matters and for such other purposes as may be provided in the Confirmation Order.

Miscellaneous Provisions

Effectuating Documents and Further Transactions. The Reorganized Debtor shall be authorized to execute, deliver, file, or record such contracts, instruments, releases and other agreements or documents and take such actions on behalf of the Reorganized Debtor as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Payment of U.S. Trustee Fees. All outstanding U.S. Trustee Fees, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on or before the Effective Date. Any U.S. Trustee Fees accruing after the Confirmation Date shall be paid by the Reorganized Debtor.

Exemption from Transfer Taxes. Pursuant to § 1146(a) of the Bankruptcy Code: (i) the issuance, distribution, transfer, or exchange of Interests or other Estate property; (ii) the creation, modification, consolidation or recording of any deed of trust or other security interest, and the securing of additional indebtedness by such means or by other means in furtherance of or in

connection with the Plan, the Confirmation Order, and any related documents; (iii) the making, assignment, modification or recording of any lease or sublease; (iv) the sale or transfer of assets, including without limitation the Property, and (v) the making, delivery or recording of a deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, the Confirmation Order, any related documents or any transaction contemplated above, or any transactions arising out of, contemplated by or in any way related to the foregoing, including without limitation the Property; shall be deemed exempt from all taxes arising from such sale or transfer which would otherwise be imposed at the time of transfer or sale, which are determined by consideration for or value of the property being transferred or as a percentage thereof, including taxes imposed by the District of Columbia or other applicable law, and shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. The appropriate state or local government officials or agents shall be, and hereby are, directed to forego the collection of any such tax or assessment, whether imposed upon the Debtor, Reorganized Debtor, Buyer, or any assignee of Buyer pursuant to the Asset Purchase Agreement, and to accept for filing or recordation any of the foregoing instruments or other documents without the payment of any such tax or assessment. Any subsequent transfer of the Property made by the Reorganized Debtor within two (2) years after the Effective Date shall be deemed a transfer by the Debtor for the purposes of the Plan and shall enjoy the same exemption from taxation as otherwise provided by § 1146(a) of the Bankruptcy Code.

Modification of Plan. The Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtor (and after the

Effective Date, the Reorganized Debtor) may upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim or Interest that is deemed to have accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Interest of such holder.

Withdrawal or Revocation. The Debtor may withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, or if the Confirmation Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any other person in any further proceedings involving the Debtor.

Courts of Competent Jurisdiction. If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of the Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

Notices. Any notices to or requests of the Reorganized Debtor by parties in interest under or in connection with the Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage pre-paid, (ii) hand delivery, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

The Reorganized Debtor:

7605 Arlington Road, Suite 250
Bethesda, MD 20814

With a copy to:

Brent C. Strickland, Esq.
Whiteford, Taylor & Preston, LLP
7501 Wisconsin Avenue, Suite 700W
Bethesda, Maryland 20814-6521

Nelson C. Cohen, Esq.
Whiteford, Taylor & Preston, LLP
7501 Wisconsin Avenue, Suite 700W
Bethesda, Maryland 20814-6521

The U.S. Trustee:

Office of the United States Trustee
115 South Union Street, Plaza Level, Suite 210
Alexandria, VA 22314

Severability. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtor, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the District of Columbia, without giving effect to the principles of conflicts of law thereof.

Other Documents. On or before ~~ten (10)~~twenty-one (21) calendar days preceding the commencement of the hearing on the Confirmation of the Plan, unless the Bankruptcy Court orders otherwise, the Debtor and/or any party-in-interest, shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, including without limitation the Plan Supplement.

Withdrawal by Proponent. The Debtor reserves the right to withdraw the Plan at any time prior to the entry of the Confirmation Order.

Exculpation. None of the Debtor, the Reorganized Debtor or any of their respective members, officers, directors, employees, attorneys, agents, or Representatives shall have or incur any liability to any holder of a Claim or Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtor, the Reorganized Debtor and each of their respective members, officers, directors, employees, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Injunction Against Interference With Plan. Upon the entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their

respective present or former affiliates, employees, agents, professionals, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

VI. LIQUIDATION ANALYSIS UNDER CHAPTER 7

The Plan proposes to pay all creditors in full. Creditors will thus receive an amount equal or greater than what they would receive in a chapter 7 liquidation. In a chapter 7 liquidation, the Debtor would cease operations, which would likely reduce the value of the Property and jeopardize the pending sale of the Property. Any reduction in the purchase price, together with chapter 7 trustee commissions and related costs, would diminish the prospects that creditors will be paid in full. A liquidation analysis is attached hereto as Exhibit E.

VII. AVOIDANCE ACTIONS

Because the Plan will pay all creditors in full, the Debtor has determined that pursuing the Avoidance Actions will not be appropriate or necessary.

VIII. TAX CONSEQUENCES TO CREDITORS

THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS LIMITED TO THE GENERAL TAX CONSEQUENCES EFFECTING CREDITORS AS A RESULT OF THE DISCHARGE OF INDEBTEDNESS WITHOUT PAYMENT UNDER THE PLAN. EACH CREDITOR OR INTEREST HOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR TO DETERMINE THAT THE TREATMENT AFFORDED THEIR RESPECTIVE CLAIMS OR INTERESTS BY THE PLAN UNDER FEDERAL TAX LAW, THE TAX LAWS OF THE VARIOUS STATES AND LOCAL JURISDICTIONS OF THE UNITED STATES AND THE LAWS OF FOREIGN JURISDICTIONS.

BECAUSE OF CONTINUAL CHANGES BY THE CONGRESS, THE TREASURY DEPARTMENT, AND THE COURTS WITH RESPECT TO THE ADMINISTRATION AND INTERPRETATION OF THE TAX LAWS, NO ASSURANCE CAN BE GIVEN THAT THE FOLLOWING INTERPRETATIONS WILL NOT BE CHALLENGED BY THE INTERNAL REVENUE SERVICE, OR, IF CHALLENGED, THAT SUCH INTERPRETATIONS WILL BE SUSTAINED.

NO STATEMENT IN THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE. THE DEBTOR AND ITS COUNSEL DO NOT ASSUME ANY RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES OF A CREDITOR WHICH MAY OCCUR AS A RESULT OF THE TREATMENT AFFORDED THEIR CLAIM OR INTEREST UNDER THE PLAN.

IX. CRAM DOWN

Section 1129(b) of the Bankruptcy Code permits the Bankruptcy Court to approve the Plan even if one or more classes of impaired claims or interests do not accept the Plan. This is referred to as a cram down. Under § 1129(b), the Bankruptcy Court may confirm the Plan only if it finds that certain circumstances exist. First, the Plan must be accepted by at least one impaired class and must not discriminate unfairly against, and be fair and equitable to, all non-accepting impaired classes. Second, unless all members of a non-accepting, impaired class receive payment in full of their Allowed Claims, no class that is junior in priority to the non-accepting impaired class may receive anything under the Plan. **IF ANY CLASS REJECTS THE PLAN, THE DEBTOR WILL SEEK TO CONFIRM THE PLAN PURSUANT TO THE CRAM DOWN METHOD PROVIDED BY SECTION 1129(b). THE TREATMENT AFFORDED CREDITORS IN EACH CLASS IN THE EVENT OF A “CRAM DOWN” WILL BE AS**

INDICATED HEREIN. Any effort by the Debtor to confirm the Plan pursuant to the cram down method will likely involve complex litigation which, regardless of the outcome, may impose substantial additional administrative expenses on the Debtor's estate. Such expenses would be paid ahead of any distribution on Unsecured Claims.

X. VOTING ON THE PLAN AND ACCEPTANCE

In order for the Plan to be accepted under the Bankruptcy Code, the Plan has to be accepted by each class of creditors and interest holders whose rights are impaired under the Plan. Each class of claims will be deemed to have accepted the Plan if it is accepted by creditors holding at least two thirds in amount and more than one-half in number of the Allowed Claims or Interests of such class of claims that actually vote. If all the requirements of confirmation of the Plan under the Code are satisfied, except that the Plan is not accepted by each class of creditors, the Bankruptcy Court may confirm the Plan without acceptance of creditors, under the cram down provisions of § 1129(b) described in Article IX above. Each creditor who wishes to exercise the right to vote must do so by executing a ballot and returning the same to counsel for the Debtor, David W. Gaffey, Esq., Whiteford, Taylor & Preston, LLP, 3190 Fairview Park Drive, Suite 800, Falls Church, Virginia 22042, within the time period prescribed by the Bankruptcy Court. An official ballot accompanies the Disclosure Statement.

XI. RISK FACTORS

The Debtor's Plan, as with virtually any plan, contains certain risk factors. However, to the extent possible, the risk to unsecured creditors has been greatly reduced. The Debtor believes that the only substantial risk factor is the failure of the [Purchaser-Buyer](#) to close, in

which event the Debtor will pursue another purchaser for the Property for sale in accordance with the terms of the Plan.

The Debtor may modify the Plan at any time prior to the Confirmation Date, but may not modify the Plan so that the Plan as modified fails to meet the requirements of §§ 1122 and 1123 of the Bankruptcy Code.

After the Confirmation Date or in the Confirmation Order, the Debtor, with the approval of the Bankruptcy Court, and subject to the restrictions set forth in § 1127 of the Bankruptcy Code, may remedy any defect or omission, or reconcile any inconsistencies in the Plan or amend the Plan in such a manner as may be necessary to carry out the purposes and effect of the Plan. The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan, or if confirmation does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan shall (a) constitute a waiver or release of any claims by or against the Debtor, or (b) prejudice in any manner the rights of the Debtor.

[Signatures on Next Page]

Dated: June 14, 2017

Respectfully Submitted by,

TERRACE MANOR, LLC
Debtor and Debtor-in-Possession

By: /s/ A. Carter Nowell
Name: A. Carter Nowell
Its: Manager

/s/ Brent C. Strickland
WHITEFORD, TAYLOR & PRESTON, LLP
Brent C. Strickland, Bar No. 452880
7501 Wisconsin Avenue

Suite 700W
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Nelson C. Cohen, Bar No. 192344
7501 Wisconsin Avenue
Suite 700W
Bethesda, Maryland 20814-6521
Phone: 301.804.3614
Fax: 301.804.3647
Email: ncohen@wtplaw.com

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLUMBIA

)	
In re:)	
)	
TERRACE MANOR, LLC,)	Case No.: 17-00175(SMT)
)	
Debtor.)	Chapter 11
)	

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE FOR DEBTOR'S SECOND AMENDED PLAN

Terrace Manor, LLC, the debtor and debtor-in-possession herein (the “Debtor” or “Terrace Manor”), by counsel, hereby submits this Disclosure Statement (the “Disclosure Statement”) pursuant to § 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”) to all holders of Claims against or Interests in the Debtor, as a prerequisite to soliciting acceptances to the Debtor’s Second Amended Plan of Reorganization (the “Plan”), which has been filed by the Debtor with the Clerk of the United States Bankruptcy Court for the District of Columbia.

WHITEFORD, TAYLOR & PRESTON, LLP
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7501 Wisconsin Avenue, Suite 700W
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Email: ncohen@wtplaw.com

Counsel for the Debtor

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I. INTRODUCTION

The purpose of this Disclosure Statement¹ (the “Disclosure Statement”) is to furnish information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the Debtor and the condition of the Debtor’s books and records, that would enable a hypothetical reasonable investor typical of the holders of Claims against or Interests in the Debtor to make an informed judgment about whether to accept or reject the Debtor’s Plan filed in this bankruptcy case. The Debtor believes that this Disclosure Statement contains

¹ The term “Disclosure Statement” as used herein shall encompass all exhibits annexed hereto as well as the Disclosure Statement document itself.

“adequate information,” as that term is defined in § 1125(a)(1) of the Bankruptcy Code, for holders of Claims against or Interests in the Debtor as required by § 1125 of the Bankruptcy Code. The transmittal of this Disclosure Statement does not represent, and should not be interpreted as being, the Bankruptcy Court’s recommendation to either accept or reject the Plan.

Definitions

Unless otherwise defined herein, the capitalized terms used in this Disclosure Statement shall be defined as set forth in the Debtor’s Plan.

List of Enclosures

Also accompanying the Disclosure Statement are the following documents (the “Enclosures”), each of which is incorporated by reference:

Enclosure 1: The Plan

Enclosure 2: Order Approving Disclosure Statement, Setting Hearing on Confirmation of Plan and Fixing Time for Filing Acceptances or Rejections of Plan, Combined with Notice Thereof

Plan Supplement

On or before twenty-one (21) calendar days before the Confirmation Hearing, the Debtor will file any other documents as may be necessary or appropriate to implement the terms and provisions of the Plan (the “Plan Supplement”).

Availability of Other Information

The entire Court file on this Bankruptcy Case is available for review at the Office of the Clerk, United States Bankruptcy Court for the District of Columbia, 333 Constitution Avenue, NW, Suite 1225, Washington, D.C. 20001, during the Bankruptcy Court’s regular business hours. Additionally, certain items may be available online through the PACER website: Court’s

Pacer website: <http://ecf.dcb.uscourts.gov>. Persons with questions about the Plan or this

Disclosure Statement may contact the Debtor's counsel as follows:

- Brent C. Strickland, Esq. (e-mail bstrickland@wtplaw.com or 410-347-8700)
- Nelson C. Cohen, Esq. (e-mail ncohen@wtplaw.com or 301-804-3618)

Voting, Disclaimer, and Supremacy of Plan Provisions

After carefully reviewing the Plan, this Disclosure Statement, all of the Exhibits annexed hereto and all of the Enclosures herewith, please indicate your vote on the enclosed Ballot and return your Ballot to the Debtor's counsel at the following address: Nelson C. Cohen Esq., Whiteford, Taylor & Preston, LLP, 7501 Wisconsin Avenue, Suite 700W, Bethesda, MD 20814.

On July __, 2017, the Bankruptcy Court entered an Order approving this Disclosure Statement for distribution to creditors (the "Disclosure Statement Order").

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

THE PLAN AND THIS DISCLOSURE STATEMENT ARE NOT REQUIRED TO BE AND HAVE NOT BEEN PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NONBANKRUPTCY LAW. NONE OF THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL OR REGULATORY AUTHORITY HAS APPROVED THIS DISCLOSURE STATEMENT, THE PLAN OR ANY SECURITIES OFFERED UNDER THE PLAN, OR HAS PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO REPRESENTATION CONCERNING THE DEBTOR, THE DEBTOR'S BUSINESS OPERATIONS, THE VALUE OF THE DEBTOR'S PROPERTY, OR THE PLAN, ARE AUTHORIZED BY THE DEBTOR UNLESS SET FORTH IN THIS DISCLOSURE STATEMENT. ACCORDINGLY, NO REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD BE RELIED UPON IN EXERCISING THE RIGHT TO VOTE OR NOT TO VOTE ON THE ACCEPTANCE OF THE PLAN AND ANY SUCH REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED IMMEDIATELY TO COUNSEL FOR THE DEBTOR.

THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, THE PLAN SUPPLEMENT, AND THE EXHIBITS ATTACHED THERETO, AND THE AGREEMENTS AND DOCUMENTS DESCRIBED THEREIN. IF THERE IS A CONFLICT BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PROVISIONS OF THE PLAN WILL GOVERN. YOU ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND THE PLAN SUPPLEMENT AND TO READ CAREFULLY THE ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, BEFORE DECIDING HOW TO VOTE WITH RESPECT TO THE PLAN.

THE FINANCIAL INFORMATION SUBMITTED WITH THE DISCLOSURE STATEMENT AND PLAN HAS NOT BEEN SUBJECT TO AUDIT AND ANY ESTIMATES OF CLAIMS OR INTERESTS IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR INTERESTS ALLOWED BY THE

BANKRUPTCY COURT. FURTHER, ANY ESTIMATES OF RECOVERIES IN THIS DISCLOSURE STATEMENT MAY VARY FROM RECOVERIES ACTUALLY RECEIVED.

THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTEREST OF ALL CREDITORS. THE PLAN AND DISCLOSURE STATEMENT ARE COMPLEX INsofar AS THEY CONSTITUTE A LEGALLY BINDING COMMITMENT BETWEEN THE CREDITORS AND THE DEBTOR. ACCORDINGLY, CREDITORS AND PARTIES-IN-INTEREST ARE URGED TO SEEK LEGAL COUNSEL IF UNSURE OF THE EFFECT OF THE PLAN AND DISCLOSURE STATEMENT.

THE ABSENCE OF PENDING OBJECTIONS TO CLAIMS OR PENDING AVOIDANCE ACTIONS OR THE ABSENCE OF AN INDICATION HEREIN OF POTENTIAL OBJECTIONS TO CLAIMS OR AVOIDANCE ACTIONS, SHALL NOT SERVE AS A WAIVER OF SUCH RIGHTS, AND ALL CREDITORS AND PARTIES-IN-INTEREST ARE HEREBY EXPRESSLY ON NOTICE THAT THEY SHOULD NOT RELY ON THE DISCLOSURE STATEMENT OR ABSENCE OF NOTICE OF AN OBJECTION OR POSSIBLE AVOIDANCE ACTION UNDER SECTIONS 542-550 OF THE BANKRUPTCY CODE, AS A DEFENSE TO SUCH FUTURE OBJECTION OR AVOIDANCE ACTION.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THE DISCLOSURE STATEMENT IS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER.

THE DESCRIPTION OF THE PLAN IN THE DISCLOSURE STATEMENT IS A SUMMARY ONLY, AND CREDITORS AND OTHER PARTIES-IN-INTEREST ARE

URGED TO REVIEW THIS ENTIRE DISCLOSURE STATEMENT AND ITS EXHIBITS, THE DETAILED DESCRIPTION OF THE PLAN CONTAINED HEREIN AND THE PLAN ITSELF, WHICH IS ANNEXED HERETO AS ENCLOSURE 1, FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS.

II. HISTORY AND BACKGROUND

The Debtor is a limited liability company organized under the laws of Delaware. The Debtor is the owner of a 61-unit apartment building located at 3341-3353 23rd Street SE, 2276 Savanah Street SE, and 2270-2272 Savanah Street SE, Washington, DC 20020 (the "Property"). The Debtor acquired the Property in December of 2012.

As of the Petition Date, approximately 13 of 61 units of the Property were occupied pursuant to various rental leases. When the Debtor acquired the Property approximately fifty (50) of the units were occupied. However, many tenants have been evicted for the nonpayment of rent. The aggregate amount of the monthly rents generated from the leases is approximately \$9,000.00.

EagleBank ("EagleBank") is owed approximately \$2,842,728.07 as of April 27, 2017, from the Debtor pursuant to a certain note executed by the Debtor (the "Note"). EagleBank has a security interest in the Property and its rental income pursuant to various loan documents (collectively, the "Loan Documents") to secure the Note. The Debtor is not aware of any other liens on the Property. The Debtor expects to pay EagleBank in full from the sale proceeds at closing on the sale of the Property. The Debtor has scheduled its other prepetition creditors with claims of approximately \$1,537,214, however a number of those claims are unliquidated and disputed. The District of Columbia has asserted additional CPPA claims against the Debtor which are disputed by the Debtor and remain unliquidated. In the event that the District of

Columbia is successful in prosecuting the CPPA claims, the Debtor believes that its maximum liability is less than \$500,000.

III. EVENTS LEADING TO THE DEBTOR'S CHAPTER 11 PETITION

Rental Income from the Property has been insufficient to pay all of the expenses associated with the Property. The total monthly rental income received by the Debtor is approximately \$9,000. The Debtor's monthly expenses total approximately \$40,000.00. In order to fund the shortfall, the Terrace Manor Member has been making periodic loans to the Debtor. The Terrace Manor Member is no longer willing to indefinitely continue to fund the Debtor's cash flow shortfall. Therefore, the Debtor determined that it was necessary to sell the Property in an expedited manner to prevent a further deterioration of the Property upon the cessation of loans from the Terrace Manor Member to fund the operations of the Property.

In October of 2016 the District of Columbia (the "District") brought an action in the Superior Court of the District of Columbia on behalf of current and former tenants of the Debtor against the Debtor, Sanford Capital, LLC ("Sanford") and Oakmont Management, LLC. ("Oakmont") (the "Superior Court Case"). The Superior Court Case has 2 essential counts.

The first Count is an enforcement action under its police and regulatory power to force the Debtor to maintain the Property in a safe and habitable manner. In January of 2017 the Debtor, Sanford and Oakmont (the Debtor, Sanford and Oakmont sometimes hereinafter referred to as the "Respondents") agreed to a court-approved Abatement Plan to address all housing code violations. While the Debtor undertook to address all of the housing code violations the District disputed that the housing code violations were abated and threatened to file a motion for a receiver and a contempt motion. The Debtor contends that the housing code violations were abated.

The second Count was for alleged failure to comply with the Consumer Protection Procedures Act (“CPPA”). In the Complaint the District alleged that the Respondents made “promises” to tenants that were not kept and breached the warranty of habitability. The Respondents’ have denied the allegations and any liability under the CPPA.

IV. **BANKRUPTCY PROCEEDINGS**

The Petition for Relief

On March 30, 2017, Terrace Manor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor is authorized to operate its business and manage its properties as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

The Employment of Professionals by the Debtor

The Debtor has requested that Whiteford, Taylor & Preston, LLP represent it in this bankruptcy case. Whiteford, Taylor & Preston, LLP filed with the Bankruptcy Court an application to be employed as counsel to the Debtor. By order entered May 5, 2017, the court approved the Debtor’s retention of Whiteford, Taylor & Preston, LLP.

Use of Cash Collateral

On March 30, 2017, the Debtor filed a Consent Motion to use the cash collateral of EagleBank (the “Cash Collateral Motion”). On April 3, 2017, the Bankruptcy Court authorized the use of EagleBank’s cash collateral on an interim basis pursuant to a budget presented by Debtor to the Bankruptcy Court and agreed to by EagleBank. The District filed an objection to the use of cash collateral contending, *inter alia*, that the cash collateral budget did not provide sufficient funds to maintain the Property. The Office of the United States Trustee (the “UST”) and the Terrace Manor Tenants Association joined in the District’s objection to the use of cash collateral. The Bankruptcy Court hearing on the Cash Collateral Motion on June 5, 2017. On

June 23, 2017, the Court entered a Final Order Authorizing Debtor's Use of Cash Collateral and Granting Adequate Protection.

Motion to Dismiss

On April 6, 2017, the District filed a Motion to Dismiss this chapter 11 case. As grounds for its motion the District alleged that the Debtor's Chapter 11 petition was filed in bad faith. The Tenants Association joined in the District's motion. The Debtor opposed the motion. A hearing was held before the Court on May 4, 2017 at which time it took evidence and heard the arguments of counsel. At the conclusion of the hearing the Court denied the motion and ruled that the Debtor's petition was not filed in bad faith.

Motion for Appointment of Receiver

Two hearings were held before the Honorable John M. Mott in the Superior Court of the District of Columbia on the District's Motion for the Appointment of a Receiver (the "Receiver Motion"). As a result of Judge Mott's encouragement, the parties to that litigation entered into settlement discussions to resolve the Receiver Motion. The parties then agreed to the terms of a Consent Order, which was entered on May 25, 2017. A copy of the Consent Order (the "Receiver Order") is attached to this Disclosure Statement as Exhibit A. the Receiver Order provides a mechanism to abate D.C. housing code violations and health and safety issues. The consent order was subject to the approval of the Bankruptcy Court, and the Debtor filed a motion seeking such approval on May 25, 2017. The Bankruptcy court entered an order on May 30, 2017, approving the settlement. Marc Albert is now the Receiver for limited purposes. Those limited purposes are (a) to identify and abate D.C. Code violations and (b) identify and abate health and safety issues at the Property. The Receiver Order provides a mechanism for the funding to pay for the expenses of the Receiver. For complete details of the Receiver Order see

Exhibit A. The Receiver filed his report with the Superior Court for the District of Columbia on June 28, 2017. A copy of that report is attached hereto as Exhibit B. As a result of the appointment of the Receiver, the Debtor believes that Housing Code violations and/or health and safety issues, if any, at the Property are or will either be abated prior to Confirmation or an agreement will be reached with the purchaser of the Property, the Receiver, the District of Columbia and the Tenant's Association to complete the abatement after the closing on the sale. the Debtor, Sanford Capital and Oakmont Management have filed an objection to the Receiver's Report. At such time as the Superior Court issues an order on approval of that report, a copy of such order will be provided to all parties in interest.

The Debtor also believes that the Receiver Order supersedes the Abatement Plan previously entered into with the District of Columbia. While the Debtor does not believe that the Abatement Plan is an executory contract, to the extent it may be determine to be so, it will be rejected.

Funding during the Chapter 11 Case

The Debtor's cash flow is not sufficient to pay all of its obligations during this Chapter 11 case. The Debtor has submitted a cash collateral budget of expenses for the period of the petition date through the date estimated confirmation date. Sanford Capital, LLC, the Debtor's parent company, and Oakmont Management Group, the Debtor's property manager, have agreed to fund the expenses set forth in this budget of approximately \$84,000. This budget covers the period from April 2, 2017, to August 14, 2017. Subsequent to August 14, 2017, Sanford Capital, LLC and Oakmont Management Group have the discretion to make additional advances to the Debtor, but are not obligated to do so. The Debtor has filed a motion with the Bankruptcy Court to approve the postpetition loans of Sanford Capital, LLC and Oakmont Management Group. On

June 23, 2017, the Court entered an Order Granting Motion to Obtain Post-Petition Financing Pursuant to § 364(b).

V. THE PROPOSED SALE

The Asset Purchase Agreement

The Plan contemplates the sale of the Property to an unrelated third party purchaser, the assumption and assignment of the Assigned Executory Contracts and Unexpired Leases identified on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as Exhibit A to the Plan or will be provided in the Plan Supplement, and the rejection of the remaining executory contracts and unexpired leases.

The Debtor previously entered into the Asset Purchase Agreement with Equilibrium Terrace Manor, LLC (“Equilibrium TM”) on June 14, 2016. A copy of the Asset Purchase Agreement is attached hereto as Exhibit C. On May 23, 2017, Equilibrium TM notified the Debtor that, while it was still committed to purchasing the Property, it may be necessary to modify the Sale Agreement to reflect changes caused by the passage of time. In the event that the Asset Purchase Agreement is modified, it will be filed with the Bankruptcy Court and served on all parties receiving this Disclosure Statement.

Equilibrium TM is an affiliate of Equilibrium Real Estate Investments (“Equilibrium Investments”). Equilibrium Investments has been in business since 2000. Since 2000 it has acquired and managed more than forty (40) properties. Equilibrium Investments primarily purchases properties in low income areas, rehabilitates them and then manages those properties. It currently owns and manages over 1100 units located primarily in Arizona and the Washington D.C. metropolitan area. Equilibrium TM has informed the Debtor that it intends to rehabilitate the Property and then attempt to reach full occupancy. Since May 23rd Equilibrium TM has

conducted an inspection of the Property and had discussions with representatives of the current tenants to discuss its plans for rehabilitation of the Property.

The following is a summary of the Asset Purchase Agreement with Equilibrium TM.²

1. The Buyer. The Buyer is Equilibrium Terrace Manor, LLC and/or Assigns. The Buyer is not affiliated in any manner with the Debtor or its principals
2. Price: The purchase price is \$5,856,000.00, cash at closing.
3. Executory Contracts and Leases: The Buyer's purchase of the Debtor's executory contracts and leases is included in the purchase price. In accordance with the Asset Purchase Agreement, the Buyer will select those executory contracts and unexpired leases it wants the Debtor to assume and assign to the Buyer, which are listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached as Exhibit A to the Plan or provided in the Plan Supplement. The Asset Purchase Agreement provides that the purchaser will assume all current tenant leases. The Sale Agreement provides that the Debtor is responsible for the payment of any and all cure amounts necessary to assume and assign the Assigned Executory Contracts and Unexpired Leases.
4. Feasibility Period: There was a due diligence or study period which has expired.
5. Financing Contingency: There was a financing contingency which has been satisfied.
6. Closing: Closing shall occur upon the later of sixty (60) days after the expiration of all contingencies in the contract or thirty (30) days after the entry of an order confirming the Debtor's Plan.
7. Expenses: Generally, the Asset Purchase Agreement provides that each party will bear its own expenses in conjunction with the sale.
8. Commissions: There is a brokerage fee to be paid by the Debtor from the sale proceeds to Daniel Crosby, Licensed Agent with Drachman Real Estate in an amount equal to 3.0% of the purchase price upon closing.

Higher and Better Offers

² This summary is not intended to be exhaustive. To the extent that any differences exist between this summary and the terms of the Asset Purchase Agreement, the Asset Purchase Agreement shall control. A copy of the Sale Agreement is attached as Exhibit C.

The Plan contemplates that there may be higher and better offers for the Sale of the Property. The Debtor has now received another offer for the purchase of the Property. That offer is from 3341 23rd, LLC, a District of Columbia limited liability company (“3341 23rd”). A copy of the sale agreement with 3341 23rd is attached hereto as Exhibit D. Because of the statements by counsel for Equilibrium that its prior offer is or may no longer be enforceable and may require modifications, the Debtor has made a determination that the 3341 23rd offer is, at present, the highest and best offer for the purchase of the Property.

3341 23rd is an affiliate of Kaye Stern Properties (“Kaye Stern”). Kaye Stern has been in business in the District of Columbia since 2012, providing high-quality, safe, and affordable housing. It currently manages 300 units exclusively in the District of Columbia.

Kaye Stern develops and manages its own properties. It provides construction and design for both common areas and renovated units. It also provides 24/7 maintenance and daytime office staffing along with a 24 hour emergency hotline for all of its properties. Kaye Sterns principals are Jason Stern and Jesse Kaye. Kaye Stern has represented to the Debtor that it intends to renovate and rehabilitate the Property after the closing

The following is a summary of the offer from 3341 23rd, LLC:

1. The Buyer. The buyer is 3341 23rd, LLC and/or its assigns. 3341 23rd is not affiliated in any manner with the Debtor or its principals
2. Price: The purchase price is \$5,900,000.00, cash at closing.
3. Executory Contracts and Leases: 3341 23rd's purchase of the Debtor's Property includes the assumption of all unexpired leases. The Debtor is responsible for the payment of any and all cure amounts necessary to assume and assign the Assigned Executory Contracts and Unexpired Leases
4. Closing: Closing shall occur upon the later of (1) August 15, 2017; or ten (10) days after the entry of an order confirming the Debtor's Plan.

5. Expenses: Generally, the Sale Agreement provides that each party will bear its own expenses in conjunction with the sale.
6. Commissions: There is no brokerage fee to be paid by the Debtor from the sale proceeds. However, 3341 23rd will receive a credit in an amount equal to 3.0% of the purchase price upon closing.

The two pending offers for the purchase of the Property are not the result of a marketing effort by the Debtor, but result from unsolicited offers from independent third parties. The Debtor does not believe that a formal marketing of the Property would have resulted in a higher sale price.

Selection of Highest and Best Offer

At least twenty-eight (28) calendar days prior to the commencement of the Confirmation Hearing, the Debtor will file a Praecipe with the Bankruptcy Court notifying the Court of which offer for the purchase of the Property it deems to be the highest and best offer. Any bona fide offers for the purchase of the Property received after the distribution of this Disclosure Statement will be served by the Debtor on the District of Columbia, the Tenant's Association, the Office of the United States Trustee and EagleBank. At the Confirmation Hearing the Bankruptcy Court will make a determination of which offer(s) is the highest and best offer.

Avoidance Actions and Claims of the Debtor Against Insiders

Because the Plan will be paying all creditors in full, the Debtor has determined that pursuing Avoidance Actions, if any, is not appropriate or necessary. The Debtor does not believe that it has claims against any Insiders.

VI. PLAN

Summary

The Debtor believes that the Plan will allow it to efficiently liquidate its assets and make prompt distributions to creditors. The Plan will result in Creditors receiving a recovery on equal or more favorable terms than if the Debtor's assets were liquidated under Chapter 7 of the Bankruptcy Code and distributed in accordance with the statutory scheme of priorities contained in the Bankruptcy Code, and a recovery by holders of Interests in the Debtor.

THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE DEBTOR STRONGLY URGES YOU TO READ THE PLAN IN ITS ENTIRETY.

**Provision for Payment of Administrative Claims,
Priority Claims and Priority Tax Claims**

Allowed Administrative Expense Claims: Except to the extent that a holder of an Allowed Administrative Expense Claim agrees to a different treatment, holders of Allowed Administrative Expense Claims will receive Cash equal to the unpaid portion of such Allowed Administrative Expense Claim on the later of (a) the Effective Date, (b) the first Business Day that is ten (10) days following entry of a Final Order allowing such Administrative Expense Claim, or (c) such date as such entity may agree to with the Debtor, provided however, that Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtor, as debtor-in-possession, or liabilities arising under other obligations incurred by the Debtor, as debtor-in-possession, whether or not incurred in the ordinary course of business, shall be paid by the Reorganized Debtor in accordance with the terms and subject to

the conditions of any orders or agreements governing, instruments evidencing, or other documents relating to, such transactions. Notwithstanding § 503(a) of the Bankruptcy Code, any person seeking payment of an Administrative Expense Claim under § 503 of the Bankruptcy Code that was incurred on or before the Effective Date but which has not been paid by the Debtor, shall be required to file an application for the allowance of final payment of said Claim on or before sixty (60) days after the Effective Date, and any such Claim not filed by that date shall be forever barred and discharged. Objections to any such application shall be filed within thirty (30) days after the filing of the application. Notwithstanding the foregoing, Professional Persons with Administrative Expense Claims shall comply with the provisions of Article 7.7 of the Plan.

Allowed Priority Claims: The holders of Allowed Priority Claims will receive Cash equal to the unpaid portion of such Allowed Priority Claim, on the later of (a) the Effective Date, (b) the first Business Day that is ten (10) days following entry of a Final Order allowing such Administrative Expense Claim, or (c) such date as such entity may agree to with the Debtor.

Allowed Priority Tax Claims: Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, at the sole option of the Reorganized Debtor, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim: (a) Cash in an amount equal to such Allowed Priority Tax Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or (b) equal annual Cash payments in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest at a fixed annual rate, which is consistent with applicable laws or as set by order of the

Bankruptcy Court, over a period not exceeding five (5) years after the Petition Date, which shall begin on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim. Notwithstanding the foregoing, payment terms for Allowed Priority Tax Claims shall not be less favorable than the treatment of General Unsecured Claims. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due.

Designation of Classes of Claims and Interests

For purposes of the Plan, Claims and Interests are classified as follows:

“Class 1 Claim” shall consist of the Secured Claim of the District of Columbia Office of Tax and Revenue, Real Property Tax Administration.

“Class 2 Claim” shall consist of the Secured Claim of EagleBank.

“Class 3 Claim” shall consist of the Other Secured Claims.

“Class 4 Claims” shall consist of the claim asserted by the District of Columbia on behalf of current and former tenants of the Debtor under the Consumer Protection and Procedures Act (“CPPA”) now pending in the Superior Court of the district of Columbia.

“Class 5 Claims” shall consist of General Unsecured Claims other than the Class 4 and Class 6 Claims.

“Class 6 Claims” shall consist of the General Unsecured claim of Sanford Capital, LLC and Oakmont Management Group.

“Class 7 Interests” shall consist of any Interests held in the Debtor, including without limitation, any and all issued and outstanding membership interests in the Debtor.

Treatment of Claims and Interests Under the Plan

Claims and Interests shall receive the following treatment under the Plan:

Class 1 Claim (District of Columbia Office of Tax and Revenue, Real Property Tax Administration). Class 1 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 1 Claim, the holder of the Class 1 Claim shall receive Cash equal to one hundred percent (100%) of its Allowed Secured Claim plus interest as provided by applicable law, paid pursuant to the Plan and at Closing on the sale of the Property. The holder of the Class 1 Claim shall continue to retain its lien on and security interest in, if any, the Property until Closing on the sale of the Property, at which time the Allowed Class 1 Claim will be paid in full. The holder of the Class 1 Claim is owed approximately \$29,776.79.

Class 2 Claim (EagleBank Secured Claim). Class 2 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 2 Claim, the holder of the Class 2 Claim shall receive cash equal to one hundred percent (100%) of its Allowed Secured Claim, paid pursuant to the Plan at Closing on the sale of the Property. The holder of the Class 2 Claim shall continue to retain its lien and security interest, if any, in the Property until Closing on the sale of the Property, at which time the Allowed Class 2 Claim will be paid in full for all undisputed amounts. In the event that a closing of the Sale occurs while disputes remain pending regarding the allowance of any portion of the Class 2 Claim, the Property shall be sold free and clear of all Liens and Claims of EagleBank. In such event, the Debtor shall pay the undisputed amount of the Class 2 Claim at closing and, further, shall establish the EagleBank Reserve from the proceeds of Sale. The Liens and Claims of EagleBank shall attach to the EagleBank Reserve. The amount of Cash to be held in the EagleBank Reserve shall be set in an amount to be agreed to by the Debtor and EagleBank and, if no agreement can be reached, shall be determined by the

Bankruptcy Court at the Confirmation Hearing. The EagleBank Reserve shall be held until such time as the Court has entered a Final Order allowing or disallowing the disputed portion of the Class 2 Claim, or until EagleBank authorizes in writing the release of the EagleBank Reserve. EagleBank is owed approximately \$2,842,728.07 as of April 27, 2017.

Class 3 Claims (Other Secured Claims, if any). Class 3 is unimpaired by the Plan. In full and complete satisfaction, discharge and release of the Class 3 Claims, each holder of an Allowed Other Secured Claim shall receive, at the option of the Debtor, either (i) Cash in an amount equal to one hundred percent (100%) of the Allowed Other Secured Claim, (ii) the proceeds of the sale or disposition of the Collateral securing such Allowed Other Secured Claim to the extent of the value of the holder's secured interest in such Collateral, net of the costs of disposition of such Collateral, (iii) such other distribution as necessary to satisfy the requirements of the Bankruptcy Code, including the surrender of any such Collateral; or (iv) such other treatment as the Debtor and such holder of an Other Secured Claim may agree. The holders of Allowed Class 3 Claims shall continue to retain any liens on the Collateral which secured such claims on the Petition Date to the extent said Collateral has not been sold or otherwise liquidated prior to the date of the Closing. The Debtor does not believe there are any Class 3 Claims.

Class 4 Claim (District of Columbia CPPA Claim on behalf of current and former tenants of the Property). Class 4 is unimpaired under the Plan. In full and complete satisfaction, discharge and release of the Class 4 Claim, the holder of the Class 4 Claim shall receive (i) cash equal to one hundred percent (100%) of its Allowed Claim, plus interest at the federal judgment rate in effect as of the Petition Date from the later of the Petition Date or the date the Class 4 Claim becomes liquidated through the date on which the Class 4 Claim is paid in full pursuant to

the Plan; or (ii) such other amount as may be agreed upon by the Debtor and the District of Columbia. The Class 4 Claim is disputed by the Debtor and believes it has no value. In the event that the District of Columbia is successful in prosecuting this the Class 4 Claim the Debtor believes that its maximum liability is less than \$500,000.00. The allowed Class 4 Claim shall be paid within ten (10) days after the Effective Date. If the class 4 claim becomes an Allowed Claim after ten (10) days after the Effective Date, such Allowed Class 4 Claim will be paid on or before ten (10) business days after it is Allowed.

Class 5 Claim (General Unsecured Claims Other than the Class 4 and Class 6 Claims).

Class 5 is unimpaired by the Plan. In full and complete satisfaction, discharge and release of the Class 5 Claims, the holders of the Class 5 Claims shall receive cash equal to one hundred percent (100%) of their Allowed Claims, plus interest at the federal judgment rate in effect as of the Petition Date from the later of the Petition Date or the date that the Claim became liquidated through the date on which the Claim is paid in full, paid pursuant to the Plan. Allowed Class 5 Claims shall be paid within ten (10) days after the Effective Date. If a Class 5 Claim becomes an Allowed Claim after ten (10) days after the Effective Date, such Allowed Class 5 Claim will be paid on or before ten (10) business days after the claim is Allowed. The claims of the Class 5 creditors are estimated at \$266,576.29).

Class 6 Claim (Unsecured Claim of Sanford Capital, LLC and Oakmont Management Group. Class 6 is impaired by the Plan. In full and complete satisfaction, discharge and release of the Class 6 Claims, the holders of the Class 6 Claims shall receive cash equal to one hundred percent (100%) of their Allowed Claims, plus interest at the federal judgment rate in effect as of the Petition Date from the later of the Petition Date or the date that the Class 6 Claims becomes Allowed Claims to the date the Claims are paid. If the Class 6 Claims become Allowed Claims

after ten (10) days after the Effective Date, such Allowed Class 6 Claim will be paid on or before ten (10) business days after the Claim is Allowed. In the event that the proceeds from the sale of the Property are not sufficient to pay the Allowed Class 1-5 Claims in full, after a reserve for disputed Class 1-5 Claims, the Class 6 Claims shall be subordinated to the Class 1-5 Claims and shall be paid only after all Allowed Claims in Classes 1-5 have been paid in full.

Class 7 Interests (Terrace Manor Membership Interests). Class 7 is unimpaired by the Plan. The holders of the Class 7 Interests shall retain all of their ownership interests in the Reorganized Debtor. Upon the payment in full of all Allowed Class 1-6 Claims, any remaining Cash on hand may be distributed by the Reorganized Debtor in its sole discretion.

Liquidation of the Debtor's Estate

Distributions: The proceeds of the Sale, the Reorganized Debtor's Cash, and the Reorganized Debtor's accounts receivable will fund Distributions required under the Plan in accordance with the priorities set forth in Article IV of the Plan.

Means of Execution of the Plan

Authority of Reorganized Debtor: By confirmation of the Plan, the Reorganized Debtor is authorized to take all actions and execute all documents necessary to carry out its duties under the Plan. In carrying out such duties, the Reorganized Debtor shall comply with all applicable laws.

Rights, Duties and Obligations of Reorganized Debtor: On the Effective Date, the Reorganized Debtor alone shall have the following rights, duties, and obligations, inter alia:

- a. to use, sell or lease any or all of the property of the Estate;

- b. to distribute funds to holders of Allowed Claims and Allowed Interests consistent with the terms of the Plan;
- c. to maintain the Distribution Account created pursuant to the Plan;
- d. to file a final report and move to close the Debtor's Chapter 11 Case; and
- e. any other duties of a debtor consistent with the Bankruptcy Code, payment to holders of Claims, and to implement the Plan.

Claim Objections: The Debtor and, after the Effective Date, the Reorganized Debtor shall have the right, duty, and obligation to review the Debtor's Schedules and any Claims or Interests filed in this Chapter 11 Case and to object to any such Claims or Interests on or before one hundred and eighty (180) days after the Bar Date or Government Bar Date, as applicable.

Sale of Assets: The Confirmation Order shall authorize the Debtor to take all actions required to complete Closing on the Property. The sale of the Property pursuant to the Asset Purchase Agreement and the Plan in all respects shall be free and clear of all liens pursuant to §§ 105 and 363 of the Bankruptcy Code, free of all rights of tenants under the District of Columbia Tenant Opportunity to Purchase Act ("TOPA"), and an assumption and assignment of executory contracts and unexpired leases pursuant to § 365 of the Bankruptcy Code, in accordance with and under the provisions of § 1123 of the Bankruptcy Code, as provided for in the Plan, confirmed pursuant to § 1129 of the Bankruptcy Code, effectuated pursuant to § 1141 of the Bankruptcy Code, and in accordance with § 1146 of the Bankruptcy Code. If a person who (i) asserts a lien with respect to the Property or (ii) is a party to an Assigned Executory Contract or Unexpired Lease, does not object to the Plan, such person shall be deemed to have consented to the sale of such Property free and clear of such person's asserted lien, to the assignment of any such Assigned Executory Contract or Unexpired Lease, including the Debtor's proposed cure amount

relating to the assumption and assignment of any executory contract or unexpired lease, and to have consented to the treatment provided for such person under the Plan. In the event that the Asset Purchase Agreement is terminated or the transactions contemplated in such Asset Purchase Agreement do not occur for any reason, the Debtor shall pursue a sale of the Property to another purchaser. Closing under the Asset Purchase Agreement and Consummation of the Plan: On and after the Confirmation Date, the Debtor shall take all reasonable actions necessary to consummate and implement the Plan, including the transactions provided for in the Asset Purchase Agreement and will execute and deliver any related agreements, documents or other instruments. Without limiting the generality of the foregoing, the Asset Purchase Agreement and any related documents, agreements or other instruments may be modified, amended or supplemented by the parties thereto in accordance with the terms thereof without further order of the Bankruptcy Court; provided, that any such modification, amendment or supplement does not have a material adverse effect on the Estate or Creditors.

Vesting of Assets: On the Effective Date, by virtue of the Confirmation of the Plan, the assets of the Estate shall vest in the Reorganized Debtor, free and clear of all liens, claims or encumbrances except as set forth in the Plan, and no further order of court shall be required for the Reorganized Debtor to sell, convey, loan, or encumber the Property in any manner.

Plan Funding: The sources for funding of the Plan shall include, but shall not be limited to, the sale of the Property pursuant to the Asset Purchase Agreement.

Termination of Business: The Debtor will cease doing business upon the closing of this case.

Transfer of Property: Holders of Claims and Interests shall be paid in accordance with their priorities set forth in the Bankruptcy Code and the terms set forth in the Plan. Upon

confirmation of the Plan, the Debtor shall be designated pursuant to § 1142(b) of the Bankruptcy Code to execute or deliver any instrument required to effect a transfer of any property dealt with by the Plan and to perform any act that is necessary for the consummation of the Plan.

Provisions Governing Distributions

Distributions. Commencing on the Effective Date, the Reorganized Debtor shall make payments, in Cash, to the holders of all Allowed Claims and Interests in accordance with the terms and conditions of the Plan. The Reorganized Debtor may pre-pay, in full or in parts, any payments under the Plan without penalty. The Reorganized Debtor shall act as disbursing agent for the purpose of making those distributions provided under the Plan.

Distributions of Cash. At the option of the Reorganized Debtor, any Cash payment to be made by the Reorganized Debtor pursuant to the Plan may be made by check drawn on a domestic bank or by wire transfer.

Delivery of Distributions and Undeliverable Distributions. Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address as set forth on the proofs of Claim filed by such holders or other writing notifying the Debtor (or, after the Effective Date, the Reorganized Debtor) of a change of address. If any holder's distribution is returned as undeliverable, the holder of any such Claim or Interest shall not be entitled to any other or further distribution under the Plan on account of such Claim or Interest unless the Debtor is notified of a new address within thirty (30) days of the Debtor's receipt of such returned distribution.

Withholding and Reporting Requirements. In connection with the Plan and all documents executed in connection therewith and distributed thereon, the Reorganized Debtor shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under the Plan shall be subject to any such withholding or reporting requirements.

Time Bar to Cash Payments. Checks issued by the Reorganized Debtor in respect of Allowed Claims or Interests shall be null and void if not negotiated within forty-five (45) days after the date of issuance thereof. Requests for reissuance of any check shall be made to the Reorganized Debtor by the holder of the Allowed Claim or Interest to whom such check originally was issued. On the last distribution date, all distributions for which checks were not requested to be reissued shall be used to satisfy the costs of administering and fully consummating the Plan and the holder of any such Claim or Interest shall not be entitled to any other or further distribution under the Plan on account of such Claim or Interest.

Setoffs. The Reorganized Debtor may, in accordance with § 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor or the Reorganized Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor, the Debtor-in-Possession, or the reorganized Debtor of any such claims, rights and causes of action that the Debtor, the Debtor-in-Possession, or the Reorganized Debtor may possess against such holder; and provided further, however, that any claims of the Debtor arising before the Petition Date shall first be setoff against Claims against

the Debtor arising before the Petition Date. Unless otherwise stipulated in writing by the Debtor, or asserted pursuant to a timely filed Proof of Claim, any party against whom a claim or counterclaim is asserted by the Estate must assert or must have asserted any setoff rights, right of subrogation, or recoupment of any kind against such claim at the time it answers such claim, or such right of setoff, subrogation or recoupment will be deemed waived and forever barred. Notwithstanding the foregoing, nothing herein shall affect the setoff rights of any taxing authority.

Professional Persons with Administrative Expense Claims. Notwithstanding § 503(a) of the Bankruptcy Code, each Professional Person or firm retained with approval by order of the Bankruptcy Court requesting compensation in this Chapter 11 Case pursuant to §§ 330 or 503(b) of the Bankruptcy Code for any fees for services rendered or reimbursement of expenses incurred on or before the Effective Date, shall be required to file an application for the allowance of final payment of said fees and expenses on or before sixty (60) days after the Effective Date, and any such claim not filed by that date shall be forever barred and discharged. Objections to any such application shall be filed within fourteen (14) days after the filing of the application. Each Secured Creditor seeking payment or reimbursement of fees for services rendered by a Professional Person in respect of this Chapter 11 Case and pursuant to § 506(b) of the Bankruptcy Code, shall be required to file an application for the allowance of final payment of said fees within thirty (30) days of its receipt of notice from the Debtor that the Debtor believes such fees to be unreasonable. In the event that the Debtor determines that such Professional Person's fees, incurred by a Secured Creditor and requested in accordance with § 506(b) of the Bankruptcy Code are not reasonable, the Debtor shall place such disputed funds into the

Distribution Account upon Closing, pending the Bankruptcy Court's entry of a Final Order resolving the allowance or disallowance of such fees.

Retention of Professionals After the Effective Date. From and after the occurrence of the Effective Date, the Reorganized Debtor may, without further order of the Bankruptcy Court, employ various professionals, including, but not limited to, counsel, consultants, and financial advisors, as needed to assist him in fulfilling his obligations under the Plan, and on whatever fee arrangement he deems appropriate, including, without limitation, hourly fee arrangements and contingency fee arrangements. Professionals engaged by the Reorganized Debtor shall not be required to file applications for compensation in order to receive the compensation provided for herein. The Reorganized Debtor may pay any fees and expenses of its professionals incurred after the Effective Date without further order of the Bankruptcy Court.

Transactions on Business Days. If the date on which a transaction is scheduled to occur under the Plan falls on a day that is not a Business Day, the transactions contemplated by the Plan to occur on such day may instead occur on said day or the next Business Day.

Procedures for Resolving and Treating Disputed Claims and Interests

No Distribution Pending Allowance. Notwithstanding any other provision of the Plan, the Reorganized Debtor is not required to distribute Cash or other property under the Plan on account of any Disputed Claim or Interest, unless and until such Claim or Interest becomes an Allowed Claim or Interest. The Reorganized Debtor may, in its sole discretion, pay any undisputed portion of a Disputed Claim.

Resolution of Disputed Claims or Interests. The Debtor and, on the Effective Date, Reorganized Debtor shall have the right to make and file objections to Claims or Interests and shall serve a copy of each objection upon the holder of the Claim or Interest to which the

objection is made as soon as practicable, but in no event later than one hundred and eighty (180) days after the Bar Date or Government Bar Date, whichever is applicable. From and after the Confirmation Date, all objections shall be litigated to a Final Order except to the extent the Reorganized Debtor elects to withdraw any such objection or the Reorganized Debtor and the claimant elect to compromise, settle or otherwise resolve any such objection, in which event they may settle, compromise or otherwise resolve any Disputed Claim or Interest without the approval or order of the Bankruptcy Court.

Reserve for Disputed Claims. In the event that the Effective Date occurs while disputes remain pending regarding the allowance of any portion of a Class 1, 3, 4, or 5 Claim, the Debtor shall pay the undisputed portion of any such Claim as required and, further, shall establish a Reserve from the proceeds of Sale. The amount of Cash to be held in the Reserve shall be in an amount equal to the difference between the undisputed and disputed portions of all disputed Class 1, 3, 4 or 5 Claims, or in such other amount as may be agreed to by the Debtor and the Claimant. The Debtor may request that the Court determine the amount to be held in the Reserve. The Reserve shall be held until such time as the Court has entered a Final Order allowing or disallowing the disputed portion of the Class 1, 3, 4 or 5 Claim, or until holder of such claim authorizes in writing the release of the amount held in the Reserve on account of the disputed portion of its Claim.

Estimation. The Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any Disputed Claim or Interest pursuant to § 502(c) of the Bankruptcy Code regardless of whether the Reorganized Debtor or the Debtor has previously objected to such Claim or Interest, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim or Interest at any time, including during litigation concerning any objection to such Claim or Interest. In the

event that the Bankruptcy Court estimates any Disputed Claim or Interest, that estimated amount may constitute either the Allowed amount of such Claim or Interest or a maximum limitation on such Claim or Interest, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claims or Interests, the Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim or Interest. All of the aforementioned Claims or Interests objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims or Interests which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved without the approval or order of the Bankruptcy Court.

Allowance of Disputed Claims. If, on or after the Effective Date, any Disputed Claim becomes an Allowed Claim, the Reorganized Debtor shall, on or before ten (10) days after the Claim becomes an Allowed Claim (if disputed), distribute to the holder of such Allowed Claim the amount of Cash that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim on the Effective Date.

Treatment of Executory Contracts and Unexpired Leases

Executory Contracts and Unexpired Leases. On the Effective Date, all executory contracts and unexpired leases that exist between the Reorganized Debtor and any person shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease that (i) is the subject of motions to assume or reject pending on the Confirmation Date; (ii) was assumed or rejected before the Confirmation Date; (iii) is listed on the Schedule of Assigned Executory Contracts and Unexpired Leases (or such list of executory contracts and unexpired leases to be assumed and assigned to a buyer other than the Buyer) attached to the Plan as

Exhibit A or to be included in the Plan Supplement; or (iv) becomes the subject of a dispute over the amount or manner of cure.

Approval of Assumption or Rejection. Entry of the Confirmation Order as of the Effective Date shall constitute: (i) the approval, pursuant to § 365(a) of the Bankruptcy Code, of the assumption by the Reorganized Debtor and assignment to the Buyer of the executory contracts and unexpired leases listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, pursuant to the terms and conditions of the Asset Purchase Agreement (or, if the Buyer is not the ultimate buyer of the Property, the assignment to a buyer other than the Buyer of such executory contracts and unexpired leases so designated by such buyer); (ii) the approval of the assignment to the Buyer of the executory contracts and unexpired leases assumed by the Debtor prior to the Confirmation Date pursuant to the terms and conditions of the Asset Purchase Agreement; and (iii) the approval, pursuant to § 365(a) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan or otherwise during the Chapter 11 Case or not assigned pursuant to the terms and conditions of the Asset Purchase Agreement. Notwithstanding anything contained herein to the contrary, up to the Confirmation Date, the Debtor (with the concurrence of the Buyer) shall have the right to add to or delete from the Schedule of Assigned Executory Contracts and Unexpired Leases, any executory contract or unexpired lease. The Schedule of Assigned Executory Contracts and Unexpired Leases is attached to the Plan as Exhibit A or will be included in the Plan Supplement.

Cure of Defaults. The Reorganized Debtor shall cure any defaults respecting each executory contract or unexpired lease assumed pursuant to Article IX of the Plan upon the latest of: (i) the Effective Date or as soon thereafter as practicable; (ii) such dates as may be fixed by

the Bankruptcy Court or agreed upon by the parties including the Buyer, or as soon thereafter as practicable; or (iii) the first Business Day that is ten (10) days following entry of a Final Order resolving any dispute regarding (a) a cure amount, (b) the ability of the Reorganized Debtor to provide (or to cause Buyer to provide) “adequate assurance of future performance” under the executory contract or unexpired lease assumed pursuant to the Plan in accordance with § 365(b)(1) of the Bankruptcy Code, or (c) any matter pertaining to assumption or the cure of a particular executory contract or an unexpired lease; provided, that all such cure obligations shall be completed prior to or at or about the Closing of the transactions contemplated by the Asset Purchase Agreement unless Buyer agrees otherwise. The Schedule of Assigned Executory Contracts and Unexpired Leases sets forth the Debtor’s proposed cure amounts for each of the Assigned Executory Contracts and Unexpired Leases.

Objection to Proposed Cure Amount. Non-Debtor parties to the Assigned Executory Contracts and Unexpired Leases listed on the Schedule of Assigned Executory Contracts and Unexpired Leases, attached to the Plan as Exhibit A or included in the Plan Supplement, that disagree with the Debtor’s proposed cure amount set forth on Exhibit A, shall file an objection to the Plan by the Plan Objection Deadline. If a non-Debtor party to an Assigned Executory Contract or Unexpired Lease fails to file an objection to the Plan by the Plan Objection Deadline, such non-Debtor party shall be deemed to consent to the Debtor’s assumption and assignment to the Buyer and to the Debtor’s proposed cure amount, and shall be forever barred from objecting thereto.

Bar Date. All proofs of Claim with respect to Claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court no later than

thirty (30) days after the entry of the Confirmation Order. Any Claim not filed within such time shall be forever barred.

Effectiveness of the Plan

Conditions Precedent to the Effective Date. The following are conditions precedent to the Effective Date of the Plan:

(a) The Bankruptcy Court shall have entered an order confirming the Plan in form and substance satisfactory to the Debtor;

(b) All documents, instruments and agreements, in form and substance satisfactory to the Debtor, provided for under or necessary to implement the Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the parties benefited thereby; and

(c) The Closing on the sale of the Property under the Asset Purchase Agreement or in accordance with Article 6.6 of the Plan shall have occurred.

Within fourteen (14) days after the occurrence of the Effective Date, the Reorganized Debtor shall file a pleading entitled "Certification of Occurrence of Effective Date" with the Court in which it shall state the date upon which the Effective Date occurred. The Debtor or the Reorganized Debtor, in their sole discretion, may waive any and all conditions precedent to the Effective Date occurring other than the effectiveness of the order confirming the Plan.

Effect of Confirmation

Release of Assets. Until the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Debtor and the Estate Assets. Thereafter, jurisdiction of the Bankruptcy Court shall be limited to the subject matters set forth in Article XII of the Plan, and the Reorganized Debtor shall perform its affairs as provided in the Plan.

Binding Effect. Except as otherwise provided in § 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, the Debtor and its respective successors and assigns, whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

Term of Injunctions or Stays. Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to § 105 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until all obligations of the Reorganized Debtor under the Plan have been performed and the Chapter 11 Case has been closed.

Retention of Jurisdiction

Jurisdiction of Bankruptcy Court. The Bankruptcy Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Case and the Plan pursuant to, and for the purposes of, §§ 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following purposes:

- (a) To hear and determine any motions for the assumption or rejection of executory contracts or unexpired leases, and the allowance of any rejection Claims resulting therefrom;
- (b) To determine any and all pending adversary proceedings, applications, and contested matters;
- (c) To determine any and all of the Avoidance Actions;
- (d) To hear and determine any objection to any Claims or Interests;

(e) To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(f) To issue such orders in aid of execution of the Plan to the extent authorized by § 1142 of the Bankruptcy Code;

(g) To consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

(h) To hear and determine all applications for compensation and reimbursement of expenses of professionals under §§ 330, 331, and 503(b) of the Bankruptcy Code;

(i) To issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(j) To hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Confirmation Order, any transactions or payments contemplated hereby, or any agreement, instrument, or other document governing or relating to any of the foregoing;

(k) To take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate the Plan, including any release or injunction provisions set forth herein, or to maintain the integrity of the Plan following consummation;

(l) To recover all assets of the Debtor and property of the Estate, wherever located;

(m) To hear and determine matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under § 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the last distribution date);

(n) To hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code, title 28 of the United States Code and other applicable law;

(o) To enter a final decree closing the Chapter 11 Case; and

(p) To determine such other matters and for such other purposes as may be provided in the Confirmation Order.

Miscellaneous Provisions

Effectuating Documents and Further Transactions. The Reorganized Debtor shall be authorized to execute, deliver, file, or record such contracts, instruments, releases and other agreements or documents and take such actions on behalf of the Reorganized Debtor as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

Payment of U.S. Trustee Fees. All outstanding U.S. Trustee Fees, as determined by the Bankruptcy Court on the Confirmation Date, shall be paid on or before the Effective Date. Any U.S. Trustee Fees accruing after the Confirmation Date shall be paid by the Reorganized Debtor.

Exemption from Transfer Taxes. Pursuant to § 1146(a) of the Bankruptcy Code: (i) the issuance, distribution, transfer, or exchange of Interests or other Estate property; (ii) the creation, modification, consolidation or recording of any deed of trust or other security interest, and the securing of additional indebtedness by such means or by other means in furtherance of or in

connection with the Plan, the Confirmation Order, and any related documents; (iii) the making, assignment, modification or recording of any lease or sublease; (iv) the sale or transfer of assets, including without limitation the Property, and (v) the making, delivery or recording of a deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, the Confirmation Order, any related documents or any transaction contemplated above, or any transactions arising out of, contemplated by or in any way related to the foregoing, including without limitation the Property; shall be deemed exempt from all taxes arising from such sale or transfer which would otherwise be imposed at the time of transfer or sale, which are determined by consideration for or value of the property being transferred or as a percentage thereof, including taxes imposed by the District of Columbia or other applicable law, and shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment. The appropriate state or local government officials or agents shall be, and hereby are, directed to forego the collection of any such tax or assessment, whether imposed upon the Debtor, Reorganized Debtor, Buyer, or any assignee of Buyer pursuant to the Asset Purchase Agreement, and to accept for filing or recordation any of the foregoing instruments or other documents without the payment of any such tax or assessment. Any subsequent transfer of the Property made by the Reorganized Debtor within two (2) years after the Effective Date shall be deemed a transfer by the Debtor for the purposes of the Plan and shall enjoy the same exemption from taxation as otherwise provided by § 1146(a) of the Bankruptcy Code.

Modification of Plan. The Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtor (and after the

Effective Date, the Reorganized Debtor) may upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim or Interest that is deemed to have accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Interest of such holder.

Withdrawal or Revocation. The Debtor may withdraw or revoke the Plan at any time prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan prior to the Confirmation Date, or if the Confirmation Date does not occur, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any Claim by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any other person in any further proceedings involving the Debtor.

Courts of Competent Jurisdiction. If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of the Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

Notices. Any notices to or requests of the Reorganized Debtor by parties in interest under or in connection with the Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage pre-paid, (ii) hand delivery, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

The Reorganized Debtor:

7605 Arlington Road, Suite 250
Bethesda, MD 20814

With a copy to:

Brent C. Strickland, Esq.
Whiteford, Taylor & Preston, LLP
7501 Wisconsin Avenue, Suite 700W
Bethesda, Maryland 20814-6521

Nelson C. Cohen, Esq.
Whiteford, Taylor & Preston, LLP
7501 Wisconsin Avenue, Suite 700W
Bethesda, Maryland 20814-6521

The U.S. Trustee:

Office of the United States Trustee
115 South Union Street, Plaza Level, Suite 210
Alexandria, VA 22314

Severability. In the event that the Bankruptcy Court determines, prior to the Confirmation Date, that any provision of the Plan is invalid, void or unenforceable, the Bankruptcy Court shall, with the consent of the Debtor, have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the District of Columbia, without giving effect to the principles of conflicts of law thereof.

Other Documents. On or before twenty-one (21) calendar days preceding the commencement of the hearing on the Confirmation of the Plan, unless the Bankruptcy Court orders otherwise, the Debtor and/or any party-in-interest, shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, including without limitation the Plan Supplement.

Withdrawal by Proponent. The Debtor reserves the right to withdraw the Plan at any time prior to the entry of the Confirmation Order.

Exculpation. None of the Debtor, the Reorganized Debtor or any of their respective members, officers, directors, employees, attorneys, agents, or Representatives shall have or incur any liability to any holder of a Claim or Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Case, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtor, the Reorganized Debtor and each of their respective members, officers, directors, employees, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Injunction Against Interference With Plan. Upon the entry of the Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their

respective present or former affiliates, employees, agents, professionals, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

VI. LIQUIDATION ANALYSIS UNDER CHAPTER 7

The Plan proposes to pay all creditors in full. Creditors will thus receive an amount equal or greater than what they would receive in a chapter 7 liquidation. In a chapter 7 liquidation, the Debtor would cease operations, which would likely reduce the value of the Property and jeopardize the pending sale of the Property. Any reduction in the purchase price, together with chapter 7 trustee commissions and related costs, would diminish the prospects that creditors will be paid in full. A liquidation analysis is attached hereto as Exhibit E.

VII. AVOIDANCE ACTIONS

Because the Plan will pay all creditors in full, the Debtor has determined that pursuing the Avoidance Actions will not be appropriate or necessary.

VIII. TAX CONSEQUENCES TO CREDITORS

THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS LIMITED TO THE GENERAL TAX CONSEQUENCES EFFECTING CREDITORS AS A RESULT OF THE DISCHARGE OF INDEBTEDNESS WITHOUT PAYMENT UNDER THE PLAN. EACH CREDITOR OR INTEREST HOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR TO DETERMINE THAT THE TREATMENT AFFORDED THEIR RESPECTIVE CLAIMS OR INTERESTS BY THE PLAN UNDER FEDERAL TAX LAW, THE TAX LAWS OF THE VARIOUS STATES AND LOCAL JURISDICTIONS OF THE UNITED STATES AND THE LAWS OF FOREIGN JURISDICTIONS.

BECAUSE OF CONTINUAL CHANGES BY THE CONGRESS, THE TREASURY DEPARTMENT, AND THE COURTS WITH RESPECT TO THE ADMINISTRATION AND INTERPRETATION OF THE TAX LAWS, NO ASSURANCE CAN BE GIVEN THAT THE FOLLOWING INTERPRETATIONS WILL NOT BE CHALLENGED BY THE INTERNAL REVENUE SERVICE, OR, IF CHALLENGED, THAT SUCH INTERPRETATIONS WILL BE SUSTAINED.

NO STATEMENT IN THIS DISCLOSURE STATEMENT SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE. THE DEBTOR AND ITS COUNSEL DO NOT ASSUME ANY RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES OF A CREDITOR WHICH MAY OCCUR AS A RESULT OF THE TREATMENT AFFORDED THEIR CLAIM OR INTEREST UNDER THE PLAN.

IX. CRAM DOWN

Section 1129(b) of the Bankruptcy Code permits the Bankruptcy Court to approve the Plan even if one or more classes of impaired claims or interests do not accept the Plan. This is referred to as a cram down. Under § 1129(b), the Bankruptcy Court may confirm the Plan only if it finds that certain circumstances exist. First, the Plan must be accepted by at least one impaired class and must not discriminate unfairly against, and be fair and equitable to, all non-accepting impaired classes. Second, unless all members of a non-accepting, impaired class receive payment in full of their Allowed Claims, no class that is junior in priority to the non-accepting impaired class may receive anything under the Plan. **IF ANY CLASS REJECTS THE PLAN, THE DEBTOR WILL SEEK TO CONFIRM THE PLAN PURSUANT TO THE CRAM DOWN METHOD PROVIDED BY SECTION 1129(b). THE TREATMENT AFFORDED CREDITORS IN EACH CLASS IN THE EVENT OF A “CRAM DOWN” WILL BE AS**

INDICATED HEREIN. Any effort by the Debtor to confirm the Plan pursuant to the cram down method will likely involve complex litigation which, regardless of the outcome, may impose substantial additional administrative expenses on the Debtor's estate. Such expenses would be paid ahead of any distribution on Unsecured Claims.

X. VOTING ON THE PLAN AND ACCEPTANCE

In order for the Plan to be accepted under the Bankruptcy Code, the Plan has to be accepted by each class of creditors and interest holders whose rights are impaired under the Plan. Each class of claims will be deemed to have accepted the Plan if it is accepted by creditors holding at least two thirds in amount and more than one-half in number of the Allowed Claims or Interests of such class of claims that actually vote. If all the requirements of confirmation of the Plan under the Code are satisfied, except that the Plan is not accepted by each class of creditors, the Bankruptcy Court may confirm the Plan without acceptance of creditors, under the cram down provisions of § 1129(b) described in Article IX above. Each creditor who wishes to exercise the right to vote must do so by executing a ballot and returning the same to counsel for the Debtor, David W. Gaffey, Esq., Whiteford, Taylor & Preston, LLP, 3190 Fairview Park Drive, Suite 800, Falls Church, Virginia 22042, within the time period prescribed by the Bankruptcy Court. An official ballot accompanies the Disclosure Statement.

XI. RISK FACTORS

The Debtor's Plan, as with virtually any plan, contains certain risk factors. However, to the extent possible, the risk to unsecured creditors has been greatly reduced. The Debtor believes that the only substantial risk factor is the failure of the Buyer to close, in which event

the Debtor will pursue another purchaser for the Property for sale in accordance with the terms of the Plan.

The Debtor may modify the Plan at any time prior to the Confirmation Date, but may not modify the Plan so that the Plan as modified fails to meet the requirements of §§ 1122 and 1123 of the Bankruptcy Code.

After the Confirmation Date or in the Confirmation Order, the Debtor, with the approval of the Bankruptcy Court, and subject to the restrictions set forth in § 1127 of the Bankruptcy Code, may remedy any defect or omission, or reconcile any inconsistencies in the Plan or amend the Plan in such a manner as may be necessary to carry out the purposes and effect of the Plan. The Debtor reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor revokes or withdraws the Plan, or if confirmation does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan shall (a) constitute a waiver or release of any claims by or against the Debtor, or (b) prejudice in any manner the rights of the Debtor.

[Signatures on Next Page]

Dated: July , 2017

Respectfully Submitted by,

TERRACE MANOR, LLC
Debtor and Debtor-in-Possession

By: /s/ A. Carter Nowell
Name: A. Carter Nowell
Its: Manager

/s/ Brent C. Strickland
WHITEFORD, TAYLOR & PRESTON, LLP
Brent C. Strickland, Bar No. 452880
7501 Wisconsin Avenue

Suite 700W
Bethesda, Maryland 20814-6521
Phone: 410.347.9402
Fax: 410.223.4302
Email: bstrickland@wtplaw.com

Nelson C. Cohen, Bar No. 192344
7501 Wisconsin Avenue
Suite 700W
Bethesda, Maryland 20814-6521
Phone: 301.804.3614
Fax: 301.804.3647
Email: ncohen@wtplaw.com

LIST OF EXHIBITS

- | | |
|------------------|---|
| <i>Exhibit A</i> | <i>Consent order to Appoint a Receiver entered May 23, 2017 in the Superior Court of the District of Columbia</i> |
| <i>Exhibit B</i> | <i>Receiver's Initial Assessment and Plan</i> |
| <i>Exhibit C</i> | <i>Short Form Real Estate Purchase Agreement from Equilibrium Terrace Manor, LLC</i> |
| <i>Exhibit D</i> | <i>Purchase and Sale Agreement from 3341 23rd, LLC</i> |
| <i>Exhibit E</i> | <i>Liquidation Analysis</i> |

EXHIBIT

A

**SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION—CIVIL ACTIONS BRANCH**

DISTRICT OF COLUMBIA,	*	
	*	
Petitioner/Plaintiff,	*	Civil Case No. 2016 CA 007767 B
	*	Civil I, Calendar IV
v.	*	Judge John M. Mott
	*	
TERRACE MANOR, LLC, et al.,	*	
	*	
Respondents/Defendants.	*	

CONSENT ORDER TO APPOINT A RECEIVER

This matter came before the Court on April 25, 2017 for a hearing on the District of Columbia’s Motion to Appoint a Receiver.¹ To resolve that Motion, these parties, the District of Columbia (the “District”), Terrace Manor LLC, Sanford Capital LLC, and Oakmont Management LLC, have consented to appointment of a receiver consistent with the terms of this Order.

This Court has jurisdiction over the subject matter of this case pursuant to D.C. Code § 11-921. This Court has jurisdiction over Sanford Capital LLC and Oakmont Management LLC (collectively the “Respondents”) pursuant to D.C. Code § 13-423. The court also has limited jurisdiction over Terrace Manor Apartments (the “Property”), an 11 building apartment complex located in the southeast quadrant of Washington, D.C. that is owned and operated by the Respondents.²

IT IS THEREFORE ORDERED that Marc Albert (the “Receiver”) is hereby appointed receiver for the Property, with directions and authority to accomplish the following, in accordance with the terms of this Order and subject to the supervision of this Court:

1. The Receiver is appointed for the limited purposes of
 - (i) abatement of District of Columbia Code violations, as identified by DCRA inspectors and others that the Receiver deems are reasonable and necessary, and

¹ The Respondents filed an Opposition to the Motion to Appoint a Receiver on April 24, 2017.

² Terrace Manor apartment complex houses 11 buildings with 12 discrete addresses: 2270 Savannah ST SE, 2272 Savannah ST SE, 2276 Savannah ST SE, 3341 23rd St SE, 3343 23rd St SE, 3345 23rd St SE, 3347 23rd St SE, 3349 23rd St SE, 3351 23rd St SE, 3353 23rd St SE, 3371 23rd St SE, and 3373 23rd St SE.

- (ii) addressing health and safety issues, including but not limited to vermin infestation and mold, that currently exist or may exist in the future at the Property while this Order is in effect. As part of his duties, the Receiver will ensure compliance with the D.C. Housing Code (1 through 16 of Title 14 of the District of Columbia Municipal Regulations or Title 12 of the District of Columbia Municipal Regulations), the D.C. indoor mold law (D.C. Code §§ 8-241.01-241.09), and regulations (20 DCMR §§3200-3299) at the Property.
2. During the term of this Order, the Receiver is the sole person responsible for abating D.C. Code violations and addressing health and safety issues at the Property.
3. The Receiver and his agents are authorized to access any part of the Property while this Order is in effect.
4. The Receiver is appointed until such time as the Property is sold to another owner not related to or under the control of Respondents, or this Court determines it is otherwise appropriate to dissolve the receivership.
5. The Receiver is authorized to employ such agents, employees, and contractors, including, without limitation, members and employees of his firm, as may in his judgment be advisable or necessary in the performance of his duties under this Order. All such agents, employees, contractors, and the Receiver shall provide proof of liability and workmen's compensation insurance prior to performing any work at the Property.
6. The Receiver is authorized to make such payments and disbursements as may be appropriate under the terms of this Order for the abatement of D.C. Code violations, as well as for addressing health and safety issues at the Property.
7. The Receiver is authorized to retain and employ agents of his choice, including, without limitation, members and employees of his firm, to assist, advise, and represent him in his duties as Receiver.
8. The Receiver is authorized to pay himself a reasonable compensation, including reimbursement for actual out-of-pocket expenses incurred, for fulfilling his duties of receiver for the Property, subject to approval by this Court. The Receiver may apply by noticed motion for payment of his reasonable compensation from the funds provided under this order by the Respondents. Absent further approval by the Court, such compensation shall not exceed payment at a rate of \$625 per hour or for more than 80 hours of work, to conduct an initial assessment for the purposes of completing a plan for the abatement of D.C. Code violations and to address health and safety issues at the Property.
9. Except for gross negligence or intentional wrongdoing in carrying out the receivership, the Receiver shall not be liable for any loss or damage incurred by the Respondents or their representatives, agents, attorneys, or those persons in active concert or participation with them, by reason of any act performed or omitted to be

performed by the Receiver in connection with the discharge of his duties and responsibilities under this Order.

AND IT IS FURTHER ORDERED that, within thirty (30) days of the effective date of this Order, the Receiver shall provide the Court and the Parties an Initial Assessment and Plan, with cost estimates attached, for fully addressing D.C. Code violations and health and safety issues at the Property. The Parties shall file any objections to that Initial Assessment and Plan within fourteen (14) days after receipt of the Initial Assessment and Plan. Pending approval of the Initial Assessment and Plan by the Court, the Receiver is fully authorized to arrange for any emergency repairs needed at the Property.

AND IT IS FURTHER ORDERED that, pursuant to D.C. Code § 42-3651.05(f), Respondents Sanford Capital LLC and Oakmont Management LLC (hereinafter “Sanford” and “Oakmont,” respectively), jointly and severally, shall provide the Receiver with all the funds³ necessary to fulfill the terms of this Order, as follows:

10. Within seven (7) business days of the effective date of this Order, Sanford and Oakmont, jointly and severally, shall deposit an initial amount of \$60,000 into an escrow account under the control of the Receiver to pay the Receiver’s expenses incurred during the initial assessment of the Property. “Expenses incurred during the initial assessment of the Property” shall include all expenses for emergency repairs, as well as any expenses incurred for purposes of assessing D.C. Code violations and health and safety needs at the Property.
11. Upon approval of the Receiver’s Plan and notice that additional funds are necessary to carry out his responsibilities under this Order, Sanford and Oakmont, jointly and severally, shall provide those additional funds within seven (7) business days consistent with instructions from the Receiver.
12. Any non-emergency repair that is not submitted to the Court with the Receiver’s Initial Assessment and Plan, and that costs more than \$10,000 to abate, must be presented to Parties prior to any expenditure of funds. If Respondents fail to approve any such expense within seven (7) business days, the Receiver must submit a cost assessment for the repair to the Court for approval.

AND IT IS FURTHER ORDERED that Respondents are directed and ordered to:

13. Within five (5) business days of the effective date of this Order, or within such additional time as permitted by the Receiver, deliver over to the Receiver possession

³ In order to avoid conflicts with Terrace Manor LLC’s pending bankruptcy, the Receiver shall not collect rents from the Property. Only the Respondents not in bankruptcy shall provide funds to cover the Receiver’s expenses in fulfilling the terms of this Order.

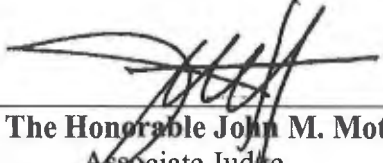
and custody all keys or combination to locks required to gain access to the Property;
and

14. Respondents and Petitioners will cooperate fully with the Receiver and refrain from doing any act or thing whatsoever to interfere with the Receiver, or to in any way harass or interfere with the duties of the Receiver. Nothing in this paragraph shall limit the Respondents ability to file with the Court any objection to the Receiver's plan for the rehabilitation of the Property.

AND IT IS FURTHER ORDERED that this Order is subject to the entry of any order (the date of which shall be the "effective date") by the United States Bankruptcy Court for the District of Columbia in the case of Terrace Manor, LLC, case no 17-00175, approving the terms of this Order as they apply to Terrace Manor, LLC although by agreeing to this Order the District is not waiving its objection that such approval is not necessary.

AND IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter until the Property is sold to a bona fide purchaser.

SO ORDERED this 23rd day of May, 2017.



The Honorable John M. Mott
Associate Judge
(Signed in Chambers)

COPIES TO:

Counsel of Record
Via CaseFileXpress

EXHIBIT

B

**SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

DISTRICT OF COLUMBIA,

Petitioner/Plaintiff,

v.

TERRACE MANOR, LLC, *et al.*,

Respondents/Defendants.

2016 CA 007767 B
Judge John M. Mott

RECEIVER'S INITIAL ASSESSMENT AND PLAN

Marc E. Albert, Court-appointed receiver ("Receiver"), by counsel, submits the following Initial Assessment and Plan as ordered by the Court on May 23, 2017. On May 23, 2017, the Court entered a Consent Order (the "Receivership Order") appointing Marc Albert ("Receiver") as receiver for Terrace Manor Apartments (the "Property"). The Property is comprised of an 11 building apartment complex located in the southeast quadrant of Washington, DC that is owned and operated by Terrace Manor, LLC, Sanford Capital LLC, and Oakmont Management LLC (collectively, the "Respondents").

The Receivership Order appointed the receiver for the limited purposes of "(i) abatement of District of Columbia Code Violations, as identified by the DCRA inspectors and others that the receiver deems are reasonable and necessary, and (ii) addressing health and safety issues, including but not limited to vermin infestation and mold, that currently exist or may exist in the future at the Property while [the Receivership Order] is in effect." (Receivership Order at ¶ 1.) The Receiver is to ensure compliance with the D.C. Housing Code (1 through 16 of Title 14 of the District of Columbia Municipal Regulations or Title 12 of the District of Columbia

	<u>Building Address</u>	<u>Apt. No.</u>	<u>Tenant</u>	<u>BR</u>	<u>SqFt.</u>
1.	3341 23 rd Street	101	Mary Moore	3	1130
2.	3345 23 rd Street	201	Ernestine Turner	3	1130
3.	3347 23 rd Street	201	Doretta Toomer	2	620
4.	3349 23 rd Street	201	Mary Shuler	2	620
5.	3349 23 rd Street	202	Tonia Palmer	2	620
6..	3353 23 rd Street	101	Mary James	3	1130
7.	2270 Savannah Street	102	Samantha (Redman) Wright/ Robert Wright	2	652
8.	2270 Savannah Street	201	David Sellers	1	565
9.	2270 Savannah Street	202	Cheryl Burrell	2	652
10.	2270 Savannah Street	301	Brandon Clay	1	565
11.	3371 23 rd Street	102	Pamela Jackson	2	620
12.	3373 23 rd Street	202	Rodney Lynch	2	620
13.	3373 23rd Street	301	Monica Jackson	2	620

Identification of Professionals Employed by Receiver

Under the Receivership Order, the Receiver "is authorized to employ such agents, employees, and contractors, including, without limitation, members and employees of his firm, as may in his judgment be advisable or necessary in the performance of his duties under this Order." (Receiver Order at ¶ 5.) The Receivership Order additionally authorizes the Receiver to "retain and employ agents of his choice, including, without limitation, members and employees

of other contractors assessing needed work. Following approval of Receiver's plan, Receiver will use Vision to make needed abatement repairs and to coordinate access to other specialized contractors at the Property. Vision has provided the Receiver with a copy of Vision's Certificate of Liability Insurance indicating that they are insured for work at the Property.

Initial Respondent Obligations Under Receivership Order

Following the effective date of the Receivership Order, the Receivership Order required Respondent to perform two tasks prior to the submission of Receiver's Initial Assessment and Plan: (1) delivery of funds to the Receiver for his initial assessment, and (2) deliver keys to Receiver for access to the Property.

Initial Assessment Funds

The Receivership Order required Respondents Sanford Capital and Oakmont Management² to deliver an initial amount of \$60,000.00 within seven (7) business days from the effective date of the Receivership Order to the Receiver to pay for Receiver's expenses incurred during his initial assessment of the Property, including all expenses for emergency repairs and any expenses incurred for purposes of assessing D.C. Code violations and health and safety needs at the Property. (Receivership Order at ¶ 10.) Receiver received a check from Respondents for payment of these funds on June 9, 2017. Receiver has deposited these funds into an escrow account set up for the Receivership and under the Receiver's control.

Delivery of Keys for Property Access

The Receivership Order required Respondents to deliver to the Receiver all keys or combinations to locks required to gain access to the Property within five (5) business days of the

² To not conflict with Terrace Manor LLC's bankruptcy, all funds provided to Receiver under the Receivership Order are to come from the non-bankruptcy Respondents Sanford Capital LLC and Oakmont Management.

connection to the outside condensing units as well as any other recommended electrical shutoffs needed for the Property.

Receiver has obtained an estimate for pest control for the Property from Right One Pest Control, Inc. ("Right One"). The presence of various vermin and pests on the Property appears to be extensive and required the presence of a Right One representative on multiple days to compile a needed extermination plan and cost estimate. Estimated fees to Right One for this survey described to Receiver by Vision are \$500.00. During the course of Right One's assessment of the Property, Right One noticed signs of bed bugs in two occupied units and has included bed bug treatments in his quote for pest remediation. Based on Receiver's personal determination and at the recommendation of Vision and Right Proper, the presence of bedbugs on the Property presents a need for immediate emergency repair due to the serious health and safety concern bedbugs pose to those with infested units and the potential of bedbugs to spread to other occupied units. Receiver, therefore is approving Right One to begin bedbug treatments and related remedial exterminations as an emergency repair at the cost of \$2,800.00 with the remainder of Right One's extermination plan for other vermin and pests on the Property to be completed through the course of Receiver's remediation plan, subject to Court approval.

Upon review of the various buildings on the Property, it was discovered that several buildings had a large degree of standing water in the basement. Sump pumps for these buildings are not operational. In addition to posing serious health and safety concerns due to mold contamination and electrical exposure, water contained in these basements needs to be removed immediately to properly assess needed repairs for each building, including electrical damage and the source of the leaks. Agents of Respondents, arranged through Mr. Nowell, previously pumped some of the water from these buildings, but were unsuccessful in removing all of the

company in making repairs and maintaining similar properties in a safe and habitable manor, and through information and cost estimates provided to Vision through the specialized contractors that have assessed the condition of the Property. Receiver has reviewed both proposals presented in the Report and believes they represent the best estimate of needed abatements needed at the Property and costs associated with work to be performed that are available at this time.

Resident In-Place Plan

The Report provides a cost estimate of \$418,125.75 for a course of action allowing for residents to remain in their individual units with needed repairs then made to each individual unit and to common areas of occupied buildings and common external areas (the "Resident In-Place Plan"). Vision has conducted an inspection of eleven of the 13 individual occupied units and has provided a list of needed repairs for each of these units and an overall estimate of projected costs needed to fix each. While Vision and Receiver attempted to inspect all occupied units, they have not yet been able to reach two residents of the Property for access to these residents' apartments and inspection of needed repairs. The Resident In-Place Plan therefore provides an estimate of \$9,500.00 for repairs to each of these units based on a belief that their condition will be comparable to other units at the Property. The Resident In-Place plan also provides an estimate of \$8,000.00 allocated to repairs for each occupied building. Included in this estimate are costs associated with sealing and winterizing nearby vacant apartments in order to prevent further infestation from outside pests and potential for frozen pipes that could lead to pipe damage to occupied units during the winter months. Common area estimates for each building also factor in estimates to seal basements from water leakage and common area electrical work.

Although Receiver believes that the cost estimate provided in the Resident In-Place Plan provides a fair estimate of cost that will be incurred if this plan is implemented, several factors

Plan by Vision based on their condition, number of existing residents already present that would not be required to move, and the ability of the Receiver to relocate other residents into comparably sized new units.

Much of the added cost associated with the Resident Relocation Plan would be associated with restoring currently vacant units to habitable status. Each relocated unit would require new appliances as any existing unused appliances in vacant units have been observed to be infested with vermin. Other remediation repairs for vacant units include doors, locks, electrical work, light fixtures, cabinets and plumbing. Based on the provided budgets for each plan, currently it appears that costs to fix vacant units for relocation by residents would cost more than added common area charges associated with additional buildings in the Resident In-Place Plan. Because, the Resident Relocation Plan involves work to fewer buildings, however, the risks for high dollar latent repairs not yet discovered is less. Therefore the Receiver is also submitting the Resident Relocation Plan for consideration by the Parties and the Court.

Additional Receivership Costs

The budget for each plan contained in the Report does not contain estimates for compensation to the Receiver, SLS, or Vision. The Receivership Order provides that compensation to the Receiver is subject to approval of the Court upon a noticed motion and may be paid from funds provided for in the Receivership Order. The Receivership Order also allows for compensation to SLS for services to the Receiver. As a reasonable estimate of compensation, Receiver asks the Court to approve an additional \$50,000.00 in costs to the proposed budget of the plan eventually approved by the Court as a good faith deposit of Respondents for compensation to the Receiver and to SLS. Receiver will hold these funds in his receivership

CERTIFICATE OF SERVICE

I certify that on this 28th day of June, 2017, a copy of the foregoing Receiver's Initial Assessment and Plan was served via the Court's electronic filing system on:

Argatonia D. Weatherington
Assistant Attorney General
441 4th Street, N.W.
Suite 1060 North
Washington, DC 20001

Benjamin M. Wiseman
Assistant Attorney General
441 4th Street, N.W.
Suite 650-N
Washington, DC 20001

Jimmy R. Rock
Deputy Director, Office of Consumer Protection
441 4th Street, N.W.
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Stephen Hessler
Hessler & Associates
1313 F Street NW
Suite 300
Washington, DC 20004

David Shertler
Joseph Gonzales
Scherler & Onorato LLP
1101 Pennsylvania Ave., NW
Suite 1150
Washington, DC 20004

/s/ Joshua W Cox
Joshua W. Cox



TERRACE MANOR APARTMENTS PROPERTY INSPECTION



PRESENTED BY:



Vision Realty Management, LLC

6325 Woodside Court, Suite 230

Columbia, Maryland 21046

(301) 596-4500

www.visionrealtymgt.com



IREM Institute of Real Estate Management



June 20, 2017

Mr. Marc Albert
Partner
Stinson Leonard Street, LLP
Receiver for Terrace Manor
1775 Pennsylvania Avenue, NW
Suite #800
Washington, DC 20006

Re: Terrace Manor Apartments
3347 23rd Street, SE
Washington, DC 20020

Mr. Albert:

Enclosed, is the inspection report for the Terrace Manor Apartments, located at 3347 23rd Street, S.E., Washington, DC 20020. The Terrace Manor Apartment Buildings are situated on 23rd Street, S.E. and Savannah Street, S.E. The community is comprised of 11 buildings, with a total of 61 units - 1, 2 and 3 bedroom units. The apartments range in size from 520 square feet, to 1,130 square feet.

The purpose of this report was to inspect the occupied units and common areas to create a conditions report, with recommendations, consistent with industry housing quality standards, and to identify health and safety concerns potentially affecting the residents. We were informed that 13 of the 61 units, are occupied, and we have attempted to inspect them all. As of the date of this report, we were able to gain access and inspect 11 of the 13 occupied units and inspected 30 vacant units.

Based upon our initial review of the existing buildings conditions, including interior and exterior building common areas, and a comparison conditions of occupied to vacant units, we analyzed various courses of actions to provide the residents with safe habitable accommodations. In doing so, we considered 2 alternatives which are as follows:

1. Allow the residents to remain in their current units and correct existing maintenance concerns.
2. Identify comparable units, and relocate residents within 2- 3 contiguous or separate buildings.

In exploring Alternative #1, there are variables involving issues in the common areas and adjacent vacant units, which could substantially impact the occupied units and the cost of remediation. We must also consider if the residents remain in their existing units, will the surrounding vacant units have to be supplied with heat and/or winterized during the winter season.

The cost estimate for this alternative is \$418,125.75 based upon our observations.



In considering Alternative # 2, we have identified 3 potential buildings for residents to relocate within, which are buildings #2270, #3345 and #3347. Should this course of action be selected, we estimate the cost to be \$564,060.75.

Upon your review of the enclosed document, please contact me with any questions.

Respectfully Submitted,

Mario Loyde

Mario Loyde, CPM



Inspection of occupied units:

Mary Moore

Apt. #101

3341 23rd Street, SE

3 Bedroom/ 2 Baths

Only resident in this building

Entry Foyer - damaged doorframe
Living room window will not close and seal
Living room check electrical switches and outlets
Kitchen evidence of rodent infestation
Kitchen- stove burners not working
Kitchen - dishwasher not working
Water Heater - service and clean corrosion
Evidence of rodent infestation
HVAC - inoperable, clean debris and filters
Bedroom 1 broken window pane
Bedroom 1 window will not close and seal
Bathroom evidence of rodent infestation
Bathroom tub surround damaged tile and grout
Bathroom window will not close and seal
Bedroom 2 window will not close and seal
Bedroom 2 evidence of bedbug infestation
Bedroom 2 check lights and electrical switches
Bedroom 3 window will not close and seal
Bedroom 3 missing air vent cover
Bedroom 3 missing outlet cover, check electrical switches and outlets
Bathroom 2 check exhaust vent
Bathroom 2 moisture and mildew on floor and cabinet and deteriorated paint

Total estimated cost of repairs: \$10,180.00



Vision Realty Management, LLC

Ernestine Turner

Apt. #201

3345 23rd Street, SE

3 Bedroom/ 2 baths

Only resident in this building

HVAC system is not functioning

Mice infestation

Total estimated cost of repairs: \$6,600.00

Doretta Toomer

Apt.#201

3347 23rd Street, SE

2 Bedroom/1 Bathroom

HVAC system is not functioning

Kitchen appliances need repair/replacement – Burners inoperable on stove/dishwasher inoperable

Kitchen drawer broken – not able to use at all

Fire sprinkler head exposed

Bathroom sink has no stopper and need caulking

Bathroom – mold visible on wall behind toilet

Bathroom toilet has some kind of hard substance on it – unable to remove

Living room windows do not open and close all the way – they do not fit in the window frame – resident has to use a wrench to open the window and use a stick to keep it open

Rodent Infestation

Total estimated cost of repairs: \$10,925.00

Mary Shuler

Apt. #201

3349 23rd Street, SE

2 Bedroom/1Bathroom

HVAC system is not functioning

Window need to be replaced in master bedroom

Kitchen appliances need repair/replacement – Burners inoperable on stove/dishwasher inoperable

Rodent infestation

Mold and mildew is visible underneath kitchen sink

Kitchen GFI inoperable by window

Hole in master bedroom door

Bathroom vent detaching from ceiling



Vision Realty Management, LLC

Lightbulb missing from hood range
Bedroom closet doors are broken
Cracks and peeling paint throughout unit
Carpet need replacing
Total estimated cost of repairs: \$8,865.00

Tania Minor
Apt. #202
3349 23rd Street, SE
2 Bedroom/ 1 Bathroom

➤ **No Access**

Mary James
Apt.#101
3353 23rd Street, SE
3 Bedroom/ 2 Bathroom
HVAC system is not functioning
Washer/Dryer not operating
Exhaust fan in kitchen not working
Dishwasher not working
Lights go out occasionally -possible electrical short
1st bathroom- Possible problem with failed wax ring seal
Connect dryer vent
Broken window in rear bedroom
Check plumbing – slow drainage

Total estimated cost of repairs: \$8,865.00



Vision Realty Management, LLC

Pamela Jackson

Apt.#102

3371 23rd Street

2 Bedroom/1 Bathroom

Only resident in this building

Windows will not stay up in frame - security concerns

Electrical outlets are not working

Water damage from roof

Kitchen appliances need repair/replacement

Rodent infestation

HVAC inoperable rodent access and infestation

Strong odor of mildew throughout unit and common area

Total estimated cost of repairs: \$11,100.00

Monica Jackson

Apt.#301

3373 23rd Street, SE

2 Bedroom/1 Bathroom

Windows will not stay up

Toilet runs

Problems with electric throughout the unit

Extermination required

HVAC system is not functioning

Total estimated cost of repairs: \$7,750.00

Rodney Lynch (Rhonda Vanterpool)

Apt.#202

3373 23rd Street, SE

2 Bedroom/1 Bathroom

HVAC inoperable

All electrical outlets need repaired – resident is running extension cords throughout the unit

GFI in kitchen inoperable

Rodent infestation

Need new smoke detector

Bathroom door has a hole in it

Total estimated cost of repairs: \$11,235.00



Robert Wright & Samantha Wright

Apt. #102

2270 Savannah Street, SE

(202)749-3828

2 Bedroom/1 Bathroom

Floor tile is lifting away from subfloor

Stove needs to be replaced

Dishwasher not working

Replace kitchen light/cover

Drywall damage in kitchen

Closet door off track

Check operation of HVAC unit

Washer/Dryer not working

Entrance door knob plate cover loose

Total estimated cost of repairs: \$9,125.00

David Sellers

Apt. #201

2270 Savannah Street, SE

1 Bedroom/ 1 Bathroom

(202) 904-8233

HVAC unit needs to be serviced - resident reported heat function not working

Exposed unfinished drywall outside of bathroom and other drywall damaged surfaces

Bathroom sink leaks on the cold-water side

Kitchen sink stopped up

Only 2 burners are working on the stove

Replace smoke detector

Bedroom closet shelf separating from the closet wall

Washer/Dryer not working

Total estimated cost of repairs: \$8,675.00



Vision Realty Management, LLC

Cheryl Burnell

Apt. #202

2270 Savannah Street, SE

2 Bedroom/1 Bathroom

Living Room

Check all electrical outlets and switches

Dining Room

Check electrical outlets and switches

Kitchen

Check electrical outlets and switches

Oven inoperable

Water and mildew under sink

Evidence of rodent infestation

Water stains under refrigerator from leak

Kitchen cabinets need to be caulked

HVAC -Service coils and change / check operation

Water Heater-Service

Bathroom

Water stains in ceiling near exhaust fan

Moisture and mold under sink

Bedroom 1

Water stains in carpet

Vegetation on Exterior wall

Bedroom 2

Check electrical outlets and switches

Total estimated cost of repairs: \$10,075.00

Brandon Clay

Apt. #301

2270 Savannah Street, SE

2 Bedroom/ 1 Bedroom

➤ **No Access**



Common Area

All the exterior entrance intercom systems are not functioning and in a state of substantial disrepair posing a security and safety risk to residents. The estimate to replace this system per building is \$3,500, and may require the expense of a monthly phone line depending upon the type of system selected.

Landscaping

There was a dead tree facing the parking lot that poses a danger of falling. Due to safety concerns this tree has been removed as of the date of this report by Repass Lawn Services. There are trees throughout the community that need to be pruned and trimmed to prevent tree branches from touching the buildings and extending over the rooftops. This will prevent animals from accessing the roof and debris from filling and clogging the gutters. There is other vegetation overgrowth around the property that reduces lighting coverage, and creates potential security risks. Enclosed is a proposal from Repass Lawn Services in the amount of \$8,230.75, proposing the cleanup.

Roofing

The roofs, gutters, downspouts, and ground drains, require repairs/replacements to divert water away from the buildings foundations. All the drains will need to be flow tested to make sure they are working properly. The buildings have both A-frame shingle roofs and flats roofs, which are also in need of repair. We were informed that buildings #3345 and #3353 roofs were replaced approximately 4 years ago. The remaining buildings roofs have had minor repairs and patched installed on them. Currently, there are missing shingles on some A-frame roofs, which has exposed plywood, which needs to be addressed. Some of the flat roofs also require attention, as they have ponding water and possibly contain multiple layers of roofing.

Footings & Foundations

The sump pumps in and around the buildings (particularly in buildings #3353 and #3371), are not operable. These buildings have areas that were once boiler rooms and are well below grade. These areas currently have several inches of water in them, which prevented our team from having access. The areas have a very high moisture and mold content. The sump pumps will need to be replaced and operational, to prevent further moisture exposure to these areas. We also observed evidence of possible water penetration several feet above of the concrete slab, which demonstrates a possibility of water penetration in the foundation walls. This may require excavation of the perimeter foundation wall, and the application of a bituminous coating or similar substance for waterproofing.



Vision Realty Management, LLC

Electrical

There are numerous exposed electrical connections on the exterior of the buildings, where the HVAC disconnects are open, which need to be addressed as soon as possible. There are inground electrical boxes connected to exterior light poles, which need to be capped and covered. Contained within the basement areas is water, numerous open electrical connections, and exposed wiring, which needs to be addressed. In some basement areas, there is evidence of water flowing down the cinder block walls into electrical meter racks and electrical panels. It appears, the exterior lighting operates by way of a time clock control, which will need to be adjusted properly in each building. We noticed at night, there are some new led lights working, however, improvements will need to be made to better illuminate the parking lot, rear of the buildings and sidewalks. As of the date of this report, we are coordinating with Hawkins Electric for a visit on 6/27/17 to address emergency electric shutoffs and cappings and to survey the property for additional needed electric work.

Vents

While surveying the property, we observed numerous exhaust vents for dryers and related devices that were open to the elements, and have birds entering them. They will require caps that open and/or screening, once the birds are removed.

Sprinkler System

We noticed in the common areas and unit interiors, sprinkler heads and sprinkler infrastructure which exist, however are not functioning. It appears the system was last tested in 2014, and abandoned sometime thereafter. Castle Sprinkler & Alarm performed a survey for the property on 6/26/17. Based on a review of the building, castle has stated that full replacements are needed for each building to bring it into compliance with the DC Code. Castle is preparing a detailed cost analysis of work to be performed to replace these sprinkler systems that should be ready soon, but has provided an initial estimate of \$15,000 per building in costs to perform this work. Upon receipt of their findings and detailed quote, we will attach a supplemental report for your review.

Mold

There is mold prevalent throughout the property within the unit interiors and common areas which will need to be remediated once the water/moisture source is identified and eliminated. There is a recent mold report conducted Arrowhead Environmental Consulting on file dated 4/22/16.

HVAC Systems

The typical life expectancy of an HVAC (Heat Pump) system ranges from 12 to 15 years, depending how often they are running, the frequency and level of preventative maintenance performed. Of the 61



units, we only noted 7 condensing units on the exterior of the buildings. There are 13 occupied units which means there are not enough condensing units for each apartment.

There are missing disconnects that are needed to supply power to the condensing units. Many of the lines sets have been cut off and exposed to the elements. It is likely, the line set will need to be replaced due to moisture exposure and related issues. If any units are replaced, they will have to be replaced with new 410 refrigerant systems, because R-22 has been phased out by the EPA, and replacement parts are no longer available. In surveying the inside systems, all the units require preventative maintenance service. We have tentatively schedule W.L. Gary Company, to service/analyze units on 6/27/17. Some residents have installed window air conditioning units to regulate the temperature, due to their HVAC units not functioning. All the buildings have large areas that are not conditioned and have windows that are boarded up. This could cause water lines to burst in the winter as result of the units and common areas not being supplied with heat during the winter season.

Extermination

In all occupied units inspected, there exist some level of either rodent and/or insect infestation. There are 2 units that are believed to have bed bugs. For an extermination plan to be effective, the exterior buildings envelope must be totally sealed in all buildings, in addition to the interior common areas. This will limit future access of vermin. All the occupied units will have to have opening seals behind the stoves, under the kitchen sinks, in closets and where any access points exist. Many of the appliances in the units, such as the stoves will have to be replaced, due to mice nesting inside of them. Right One Pest Control, has toured the community and is submitting a plan for extermination.

Plumbing

During the inspection section, we noted open sewer connections in a basement unit of building #3341. There exists a strong smell of sewage, which will need to be vented and resolved. In addition, there was water leaking on to the floor from the valves in the kitchen and bathroom area. In the same vicinity, there is a broken drain line believed to be connected to the 01 tier of building #3341, which needs to be replaced.



Terrace Manor Apartments - Resident In-Place Budget

Items	Quantity	Itemized Cost (\$)	
13 - Occupied Units			
3341 - Unit #101 - 23rd Street, S.E.	1	10,180.00	10,180.00
Common Area	1	8,000.00	8,000.00
3345 - Unit #201 - 23rd Street, S.E.	1	6,600.00	6,600.00
Common Area	1	8,000.00	8,000.00
3347 - Unit #201 - 23rd Street, S.E.	1	10,925.00	10,925.00
Common Area	1	8,000.00	8,000.00
3349 - Unit #201 - 23rd Street, S.E.	1	8,865.00	8,865.00
3349 - Unit #202 - 23rd Street, S.E. *	1	9,500.00	9,500.00
Common Area	1	8,000.00	8,000.00
3353 - Unit #101 - 23rd Street, S.E.	1	8,865.00	8,865.00
Common Area	1	8,000.00	8,000.00
2270 - Unit #102 - Savannah Street, S.E.	1	9,125.00	9,125.00
2270 - Unit #201 - Savannah Street, S.E.	1	8,675.00	8,675.00
2270 - Unit #202 - Savannah Street, S.E.	1	10,075.00	10,075.00
2270 - Unit #301 - Savannah Street, S.E.*	1	9,500.00	9,500.00
Common Area	1	8,000.00	8,000.00
3371 - Unit #102 - 23rd Street, S.E.	1	11,100.00	11,100.00
Common Area	1	8,000.00	8,000.00
3373 - Unit #202 - 23rd Street, S.E.	1	11,235.00	11,235.00
3373 - Unit #301 - 23rd Street, S.E.	1	7,750.00	7,750.00
Common Area	1	8,000.00	8,000.00
Exterior			
Intercoms	8	3,500.00	28,000.00
Sprinkler Systems	8	15,000.00	120,000.00
Extermination	1	36,500.00	36,500.00
Tree Trimming/Removal	1	8,230.75	8,230.75
Roofing & related	1	24,000.00	24,000.00
Mold	1	15,000.00	15,000.00
Total			418,125.75

* No Access - estimate

Terrace Manor Apartments Relocation Budget

Items	Quantity	Itemized Cost (\$)	
		Price	Total
Common Areas			
Plumbing	3	4,200.00	12,600.00
Painting /Drywall	3	3,300.00	9,900.00
Water Proofing	3	8,500.00	25,500.00
Sprinkler/Fire System	3	15,000.00	45,000.00
HVAC Units/ Water Heaters			
System Replacement	13	8,100.00	105,300.00
Hot water Heaters	13	1,350.00	17,550.00
Unit Doors/Frame/ Hardware			
Entrance Doors & Frames	13	1,200.00	15,600.00
Locks, Hinges and related hardware	13	150.00	1,950.00
Interior doors (bath, bedroom & closet)	13	600.00	7,800.00
Unit Cabinets & Countertops			
Kitchen Cabinets with Sinks	13	3,900.00	50,700.00
Intercom System			
Key fob	3	3,500.00	10,500.00
Unit Appliances			
Refrigerators	13	580.00	7,540.00
Stoves	13	550.00	7,150.00
Dishwashers	13	425.00	5,525.00
Washer/Dryers	13	975.00	12,675.00
Garbage Disposals	13	100.00	1,300.00
Exhaust Fans	13	90.00	1,170.00
Unit Electrical			
Lighting, switches, outlets, etc.	13	750.00	9,750.00
Unit Plumbing			
Bathub / shower walls	13	950.00	12,350.00
Toilets	13	265.00	3,445.00
Vanities & Medicine Cabinets	13	325.00	4,225.00
Faucets, Diverter, etc..	13	450.00	5,850.00
Unit Painting & Drywall			
	13	2,200.00	28,600.00
Unit Flooring			
Flooring	13	4,300.00	55,900.00
Mold Remediation & Testing			
	1	16,000.00	16,000.00
Extermination			
	1	20,000.00	20,000.00
Secure Vacant Units			
	4	850.00	3,400.00
Resident Relocation			
	13	1,100.00	14,300.00
Exterior			
Lighting	1	1,200.00	1,200.00
Door-Basement Rear	2	1,900.00	3,800.00
Parking Lot/ Dumpster Area	1	950.00	950.00
Brick Pointing	1	4,500.00	4,500.00
Window Repair/Replacement	1	5,300.00	5,300.00
Landscaping	1	8,230.75	8,230.75
Roof	3	9,500.00	28,500.00
Total			564,060.75



LAWN SERVICES

June 22, 2017

Terrace Manor
 3347 23rd Street, SE
 Washington, DC 20020

**TERRACE MANOR
 TREE QUOTE**

	Location	Services	Cost
1	Bldg. 2276	Prune one sycamore off the building 5'-6' and elevate 7'-8'.	\$700.00
2	Bldg. 2276, front	Prune burning bush hedge row.	\$375.00
3	Bldg. 3371, front	Prune two Eastern red buds away from building 2'-3'	\$375.00
4	Bldg. 3371, front	Prune chestnut oak (city tree) away from building 4'-5' and elevate 7'-8'	\$187.50
5	Bldg. 3341, front	Elevate and prune away from building two magnolias .	\$187.50
6	Office, front right side	Remove one hawthorn .	\$562.50
7	Office, front right side	Grind out hawthorn stump and haul away debris.	\$250.00
8	Bldg. 3347, front	Remove one crabapple .	\$562.50
9	Bldg. 3347, front	Grind out crabapple stump and haul away debris.	\$187.50
10	Bldg. 3351, front	Prune one American Elm away from building 8'-9' and remove deadwood greater than 2". Elevate 7'-8'.	\$1,062.00
11	Bldg. 3353, front	Prune one American elm away from the building 4'-5' and	\$1,875.00

		remove deadwood greater than 2". Elevate 7'-8'.	
12	Bldg. 2210, front	Prune two Eastern red buds away from building.	\$281.25
13	Bldg. 2210, left side	Prune two elms away from building 4'-5'.	\$562.50
14	Between Bldgs. 3347 & 3349, rear	Prune one mulberry away from building 3'-4'.	\$1,062.50
Total:			\$8,230.75

Proposed by Repass Lawn Services:

Linda C. Kalloch

Linda C. Kalloch

June 22, 2017

Date

Accepted by:

Agent for Terrace Manor

Date



RIGHT ONE PEST CONTROL, INC.

*3807 Minnesota Ave., NE, WDC 20019 (301) 538-1176
rightonepestcontrol@comcast.net*

June 22, 2017
Mr. Mario Lloyd
Managing Partner
6325 Woodside Court
Suite 230
Columbia, MD 21046

Re: Terrace Manor Pest Control Services

Mr. Lloyd:

Right One Pest Control, Inc. performed multiple inspections and proposes to perform the following extermination services:

3351 23rd St., S.E., WDC (3 units)

Cost: \$3,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3341 23rd St., S.E., WDC (4 units and basement)

Cost: \$4,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3343 23rd St., S.E., WDC (3 units)

Cost: \$3,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3345 23rd St., S.E., WDC (4 units)

Cost: \$3,500.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos
-

3347 23rd St., S.E., WDC (7 units and basement)

Cost: \$5,500.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3349 23rd St., S.E., WDC (7 units and basement)

Cost: \$5,500.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3351 23rd St., S.E., WDC (9 units and basement)

Cost: \$6,500.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3371 23rd St., S.E., WDC (6 units)

\$5,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3372 23rd St., S.E., WDC (3 units)

Cost: \$3,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3373 23rd St., S.E., WDC (6 units)

Cost: \$5,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

3376 23rd St., S.E., WDC (6 units)

Cost: \$5,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos

2270 Savannah St., S.E., WDC (6 units)

Cost: \$5,000.00

- Cockroach Cleanout Treatment
- Rodent Cleanout Treatment, Bait Boxes & Barrels where needed (exterior)
- Bedbug Treatment
- Possible bird removal
- Ants, Lice and mosquitos
-

COST

(Additional extermination service)

- *Termites*: Varies from \$4,000.00 to \$6,000.00 per basements

Payment for extermination services is due ten days upon completion of services.

If you are in agreement with the terms and conditions set forth above, affixing your signature in the space provided below will act as confirmation of an agreement for Extermination services between Right One Pest Control, Inc. and Terrace Manor 23rd St., S.E., WDC.

_____ Date _____
 Mario Lloyd, MP
 Terrace Manor

_____ Date _____
 Right One Pest Control, Inc.

EXHIBIT

C

SHORT FORM REAL ESTATE PURCHASE AGREEMENT

Date of Offer: June 14, 2016

THIS PURCHASE AGREEMENT ("Agreement") is made and entered into by and between EOULIBRIUM TERRACE MANOR LLC, its successors and/or assigns ("Purchaser") and TERRACE MANOR, LLC, a Delaware limited liability company, as Seller to the extent it holds interest in the Property as defined below ("Seller").

The parties hereto are desirous of entering into an agreement relating to the sale of certain property. In consideration of the foregoing and of mutual covenants and agreements hereinafter set forth, the parties hereto agree as follows:

1. **REAL PROPERTY.** Purchaser will buy and Seller will sell for the Purchase Price set forth herein below, the Seller's entire interest in the real property described as a multi-family property located in the District of Columbia, totaling sixty-one (61) units including all buildings and improvements located on the real property and that are owned by Seller with the following addresses: 3341-3353 23rd Street SE Washington, DC 20036 Block 5894, Lot 0003 and all easements, rights, privileges and appurtenances belonging to the same, and including all fixtures owned by Seller situated on or about said property (said real and other property being collectively referred to herein as the "Property").

And Block 5894 Lot 0004, 0005

And 2270, 2272, 2276 Savannah Street SE Washington DC 20036

SA [Signature]

2. **PURCHASE PRICE.** The purchase price ("Purchase Price") of the Property is **FIVE MILLION EIGHT HUNDRED FIFTY-SIX DOLLARS and 00/100 (\$5,856,000.00)**, subject to adjustment as provided pursuant to Paragraph 2 of the Addendum attached hereto.

SA [Signature]

3. **DEPOSIT.** Purchaser will make a deposit ("Deposit") with MILESTONE TITLE ("Escrow Agent" or "Title Company") by check in the amount of **ONE HUNDRED AND FIFTY THOUSAND Dollars (\$150,000.00)**, to be applied as partial payment of the Purchase Price. The entire Deposit will be fully negotiated and placed in an escrow account of Escrow Agent within forty-eight (48) hours after the Date of Ratification, as defined below, and there held in accordance with applicable law until disposition thereof is made pursuant to the terms of this Agreement. The escrow account may be interest-bearing, and all parties waive any claim to interest resulting from the Deposit. The Deposit will be held in escrow until: (i) Credited toward the Purchase Price at Settlement; or (ii) All parties have agreed in writing as to its disposition; or (iii) A court of competent jurisdiction orders disbursement thereof and all appeal periods have expired; or (iv) Disposed of in any other manner authorized by the laws and regulations of the appropriate jurisdiction. The parties hereto acknowledge that Escrow Agent shall have no liability to any party on account of Escrow Agent's failure to disburse the Deposit or interest thereon if a dispute shall have arisen with respect to the propriety of such disbursement, and in the event of any dispute as to who is entitled to receive the Deposit or interest earned thereupon, Escrow Agent shall have the right to retain the funds and disperse them in accordance with the final order of a court of competent jurisdiction, or to deposit such funds with said court pending a final decision of such controversy. The parties further agree that Escrow Agent shall not be held liable for failure of any depository in which the Deposit is placed, and Seller and Purchaser each will indemnify, defend and save harmless Escrow Agent from and against every claim, liability, cost, damage, loss and expense arising out of the disbursement of the Deposit or failure to disburse the Deposit by Escrow Agent, except with respect to actions or omissions taken or suffered by the Escrow Agent in violation of the provisions of this Agreement or in bad faith or in the case of Escrow Agent's gross negligence or willful misconduct.

4. Title and Survey.

4.1 Purchaser shall, as it deems necessary, obtain (a) a commitment (the "Title Commitment") from the Title Company, to issue an owner's policy of title insurance covering the Property, together with copies of all items shown as exceptions to title therein, and (b) a survey covering the Property (the "Survey").

4.2 Purchaser shall have until 5:00 p.m., Washington, D.C. time, on the date which is on or before fifteen (15) days prior to the expiration of the Financing Contingency Period (the "Objection Deadline") in which to provide written notice to Seller ("Title/Survey Notice") of any matters affecting or relating to title to the Property, including those disclosed by the Title Commitment (collectively, the "Title Objections"), or shown on the

Initials: Purchaser: SA /Seller: SA

Survey (collectively, the "Survey Objections"), which are not satisfactory to Purchaser. Nevertheless Seller shall have no obligation whatsoever to expend or agree to expend any funds to undertake or agree to undertake any obligations or otherwise to cure or agree to attempt to cure any Title Objections or Survey Objections, other than Must-Cure Objections (hereinafter defined) and Title Objections or Survey Objections that Seller has expressly agreed to attempt to cure in a written notice given to Purchaser on or before the expiration of the Title/Survey Objection Response Period (as hereinafter defined). The failure of Seller to provide written notice to Purchaser prior to expiration of the Title/Survey Objection Response Period of Seller's intent to cure a Title Objection or Survey Objection shall be deemed to be and constitute Seller's election not to cure such Title Objections or Survey Objections; provided, however that the foregoing shall not alleviate Seller's obligation to cure any Must-Cure Objections. As used herein, the term "Title/Survey Objection Response Period" shall mean the period beginning on the date on which Seller receives a Title/Survey Notice and ending on the earlier to occur of (a) three (3) days thereafter or (b) two (2) days prior to the expiration of the Financing Contingency Period.

4.3 In the event that Purchaser is dissatisfied in its sole and absolute discretion with Seller's response (or deemed response) to the Title/Survey Notice, Purchaser shall have the right to terminate this Agreement by delivering a termination notice to Seller (a "Title Related Termination Notice") no later than the expiration of the Financing Contingency Period, in which event neither party shall thereafter have any further rights, obligations or liability. In connection with the delivery of the Title Related Termination Notice Purchaser shall have the right to demand and receive the Deposit without any right by Seller to object or delay such refund. In the event Purchaser does not deliver a Title Related Termination Notice, Purchaser will be deemed to have waived any Title Objection(s) and/or Survey Objection(s) (other than those which are also Must-Cure Objections) which Seller did not agree to cure.

4.4 Seller shall use commercially reasonable efforts to cure all Must-Cure Objections and any Title Objections or Survey Objections which it has expressly agreed to cure in, on or prior to the Date of Closing; provided, that Seller shall not be obligated to expend more than One Hundred Thousand Dollars (\$100,000) inclusive of attorney and other professional fees, to cure any Title Objections and Survey Objections, to which Seller has agreed to cure. In the event that, having used its commercially reasonable efforts to cure the Title Objections and/or Survey Objections Seller has agreed to cure, Seller is unable to do so by the Settlement Date, Purchaser shall have ten (10) days in which to elect, in its sole and absolute discretion to: (a) either extend the Settlement Date for up to thirty (30) days in order to allow Seller additional time in which to effect such cure, in which event the term "Settlement Date" as used herein shall mean the date to which Settlement is so extended; or (b) terminate this Agreement and demand and receive the Deposit, without any right by Seller to object or delay such refund, in which event neither party shall thereafter have any further rights, obligations or liability; or (c) waive such Title Objection(s) and/or Survey Objection(s) and proceed to Settlement with such matter or matters added to, and made a part of, the Permitted Exceptions. In the event that Purchaser elects to exercise its rights under 4.4(a), and Seller is unable to effect the cure within said thirty (30) day period, then at Purchaser's election, either (x) Purchaser may thereupon terminate this Agreement, in which event the Deposit shall be refunded to Purchaser and neither party shall thereafter have any further rights, obligations, or liability under this Agreement, or (y) the Settlement shall occur without any further adjustment to the Purchase Price, or (z) the Settlement shall occur without any requirement that Seller attempt to cure any Title Objections and/or Survey Objections, which Seller agreed to cure, and Purchaser shall be entitled to a credit against the Purchase Price in an amount reasonably determined by Purchaser to be the expected cost to cure any Title Objection and/or Survey Objection, which Seller agreed to cure, provided that the maximum amount of such credit to the Purchase Price shall not exceed One Hundred Thousand Dollars (\$100,000).

4.5 Notwithstanding anything contained in this Agreement to the contrary, Seller agrees at or prior to Settlement to satisfy and cause to be released of record the following ("Must-Cure Objections"): (i) any mortgage, deed of trust or other security interest granted by Seller to secure a loan or other monetary obligation, and (ii) any mechanic's, materialmen's, tax, judgment or other lien entered against Seller that would survive Settlement and thereafter be enforceable against the Property or Purchaser, as owner of the Property, and Seller expressly agrees that its failure to cure any Must-Cure Objection at or prior to Settlement shall constitute a material default by Seller hereunder.

5. **Financing Contingency.** Purchaser shall have a period of sixty (60) days following the Date of Ratification (the "**Financing Contingency Period**") to secure a commitment for financing (both debt and equity). Purchaser shall promptly apply for financing and pursue the issuance of a commitment using good faith and commercially reasonable efforts to obtain a commitment for financing prior to the expiration of the Financing Contingency Period. If Purchaser is unable to obtain a commitment for financing, or is able to obtain a commitment but, in its reasonable discretion, is not satisfied with the terms of the commitment, Purchaser shall have the right to terminate this Agreement by providing written notice to Seller prior to the expiration of the Financing Contingency Period (the "**Financing Contingency**"). If Purchaser fails to notify Seller in writing that Purchaser has elected to proceed with transaction described in this Agreement prior to the expiration of the Financing Contingency Period, then Escrow Agent shall refund the Deposit to Purchaser, and Seller and Purchaser shall have no further rights or obligations under this Agreement, at law or in equity, except those which expressly survive such termination. If Purchaser has elected to proceed with the transaction described in this Agreement prior to the expiration of the Financing Contingency Period, Purchaser shall be deemed to have waived its rights to terminate this Agreement pursuant to the Financing Contingency, in which case the Deposit shall be non-refundable to Purchaser, except as otherwise expressly provided in this Agreement.

6. **"AS IS" PROPERTY CONDITION.** The Property is sold and shall be delivered in its "As Is" physical condition, to be determined as of the Date of Ratification. The Seller makes no representation or warranty, express or implied, as to the condition of the Property or any equipment or system contained therein. All clauses in this Agreement pertaining to Property condition or compliance with city, state or county regulations are hereby deleted from this Agreement, except the termite inspection clause. The Seller will have no obligation to make repairs to the electrical, plumbing, heating, air conditioning, or any other mechanical system, equipment or fixture.

7. **DEFAULT AND REMEDIES.**

7.1 **Purchaser Default.** If, after the expiration of the Financing Contingency Period, Purchaser shall fail or refuse to purchase the Property in violation of Purchaser's obligations hereunder for any reason other than Seller being unable to deliver good, clear, record, marketable and insurable title to the Property (other than if such failure is due to the Purchase of the Property by the tenants in accordance with TOPA), above, and provided that Seller is then ready, willing and able to proceed to Settlement, has performed all of its obligations hereunder, Seller shall have as its sole remedy the right to terminate this Agreement and retain or be paid the full amount of the Deposit and all interest earned thereon. Seller and Purchaser acknowledge and agree that (a) it would be extremely difficult to accurately determine the amount of damages suffered by Seller as a result of Purchaser's default hereunder; (b) the Deposit constitutes a fair and reasonable amount to be received by Seller as agreed and liquidated damages for Purchaser's default under this Agreement, as well as a fair, reasonable and customary amount to be paid as liquidated damages to a seller in an arm's length transaction of the type contemplated by this Agreement upon a default by the purchaser thereunder; and (c) receipt by Seller of the Deposit upon Purchaser's default hereunder shall not constitute a penalty or a forfeiture.

7.2 **Seller Default.** In the event Seller shall: (a) fail to sell, transfer and assign the Property to Purchaser due to Seller's inability to deliver good, clear, record, marketable and insurable title to the Property (other than if such failure is due to the purchase of the Property by the tenants in accordance with TOPA), and/or (b) fail to perform any other obligation of Seller hereunder, and/or (c) breach any warranty made or granted by Seller under this Agreement or any document or instrument given in connection herewith, and/or (d) have misrepresented any fact, or any of the representations of Seller contained herein are not true, accurate or complete, Purchaser shall be entitled to: (i) seek specific performance of this Agreement, or (ii) declare this Agreement to be null and void and demand and receive the return of the Deposit, but under no circumstances may Purchaser recover any other compensatory or consequential damages incurred by Purchaser as a result of such breach.

7.3 **Attorneys' Fees.** Notwithstanding anything to the contrary in this Agreement, in the event that either Seller or Purchaser, as the case may be, shall bring a lawsuit against the other party for breach of such party's obligations under this Agreement, the losing party shall pay the prevailing party's costs and expenses incurred in connection with such litigation, including without limitation reasonable attorneys' fees. The "prevailing party" shall be determined by the court hearing such matter.

8. **DEED.** Seller agrees to execute and deliver at settlement a good and sufficient special warranty deed (the "Deed").

9. **ADJUSTMENTS.** Rents, taxes, water rent, insurance and interest on existing encumbrances (if any), cost of fuel in storage tanks, salaries and accrued benefits of employees (if any), and operating charges (including, without limitation, utilities charges) are to be adjusted to the Settlement Date. Taxes, general and special, are to be adjusted according to the certificate of taxes as issued by the collector of taxes, except that assessments for improvements completed prior to Settlement, whether assessments therefor have been levied or not, shall be paid by Seller or allowance made therefor at Settlement. If a Deed of Trust is assumed, interest will be adjusted to the Settlement Date and Purchaser will reimburse Seller for existing escrow accounts, if any. Seller shall remain liable for any housing code violations assessed and incurred prior to Settlement.

10. **CLOSING AND RECORDING COSTS.** The costs of title exam, tax certification, and conveyancing, notary fees, survey, if required, and recordation taxes shall be paid by the Purchaser. Transfer taxes and other local taxes shall be paid by the Seller.

11. **SETTLEMENT.** Seller agrees to comply fully with the District of Columbia Tenant's Opportunity to Purchase Act ("TOPA"). Settlement ("Settlement") will be on or before September 30, 2016 or on such later date as may be required if the Settlement is delayed due to the exercise by one or more of the Tenants of their TOPA rights, in which case Settlement shall occur on or before NINETY (90) DAYS from the date on which Purchaser receives Notice from Escrow Agent that TOPA has been satisfied ("Settlement Date") and the Property is still available for Purchase by the Purchaser at which time Seller and Purchaser agree to and are required to make full settlement of said purchase in accordance with the terms hereof ("Settlement"). As of the Settlement Date, (a) no part of the Property shall have been acquired, or shall be about to be acquired, by any governmental authority or agency in the exercise of its power or eminent domain or by private purchase in lieu thereof, nor shall there be any threat or imminence of any such acquisition or purchase; and (b) all representations and warranties as set forth in this Agreement shall be true and correct.

12. **EXISTING TENANCY.** The Property is sold and shall be conveyed subject to an existing tenancy or tenancies as disclosed in the lease agreement executed on or before the Date of Ratification. Furthermore, rent outlined in lease agreements shall be prorated and credited to the Purchaser based on Settlement Date and security deposits (outlined in the lease agreement) will be transferred from Seller to Purchaser at Settlement.

13. **PLACE OF SETTLEMENT AND SETTLEMENT AGENT.** Settlement is to be made at the offices of MILESTONE TITLE (hereinafter, "Settlement Agent"). Deposit with the Settlement Agent of that part of the Purchase Price to be paid, the deed of conveyance for execution and such other papers as are required of either Seller or Purchaser by the terms of this Agreement, within the time above provided for the consummation of this Agreement, shall be considered good and sufficient tender of the performance by either of said parties of the terms hereof. **IT IS UNDERSTOOD THAT PURCHASER HAS THE RIGHT TO NAME AND EMPLOY A PARTICULAR TITLE INSURANCE COMPANY, SETTLEMENT OR ESCROW COMPANY OR TITLE ATTORNEY, WHICH HAS BEEN DESIGNATED BY PURCHASER AS SET FORTH IN THIS PARAGRAPH.**

14. **RISK OF LOSS.** Seller assumes the risk of loss or damage to the Property by fire or other casualty until the executed deed of conveyance has been delivered at Settlement.

15. **DAMAGE, DESTRUCTION AND CONDEMNATION.**

15.1 **Casualty.** Except as provided herein, Seller assumes all risk of loss or damage to the Property by fire or other casualty until the Deed is properly recorded among the appropriate public records. If at any time on or prior to the Settlement Date any portion of the Property is destroyed or damaged as a result of fire or any other cause whatsoever, Seller shall promptly give written notice thereof to Purchaser. In the event that (a) the total cost to repair or restore such destruction or damage, as determined by Seller's insurance claim adjuster, exceeds \$250,000, and/or (b) the estimated time to restore or repair such destruction or damage, as determined by Seller's insurance claim adjuster, exceeds ninety (90) days, Purchaser shall have the right to terminate this Agreement by written notice to Seller within twenty (20) days following the date upon which Purchaser receives Seller's written notice of the destruction or damage. If (i) such destruction or damage can be repaired or restored for \$250,000 or less, and can be repaired in less than ninety (90) days, or (ii) the cost of such repair or restoration shall exceed \$250,000, and/or the time to complete the repair and restoration of the Property shall exceed ninety (90) days, but Purchaser does not elect to so terminate this Agreement within said twenty (20) day period, this Agreement shall remain in full force and effect and the parties shall proceed to Settlement without any reduction or adjustment in the Purchase Price, except

that all insurance proceeds will be assigned to Purchaser and Seller will pay to Purchaser any deductible under Seller's

15.2 Condemnation. In the event, at any time on or prior to the Settlement Date, any action or proceeding is filed, under which the Property, or any portion thereof, may be taken pursuant to any law, ordinance or regulation or by condemnation or the right of eminent domain, Seller shall promptly give written notice thereof (which notice shall describe the type of action being taken against the Property, and which portions of the Property will be affected thereby) to Purchaser. Purchaser shall have the right to terminate this Agreement by written notice to Seller within twenty (20) days following the date upon which Purchaser receives Seller's written notice of such action or proceeding. If Purchaser does not elect to so terminate this Agreement within said twenty (20) day period, this Agreement shall remain in full force and effect and the parties shall proceed to settlement without any reduction or adjustment in the Purchase Price, except that all condemnation proceeds will be assigned to Purchaser.

16. LOCAL VIOLATIONS; CONDITION OF PROPERTY. All written notices or violations of statutes, municipal codes or regulations issued by any department of the jurisdiction in which the Property is situated, or prosecutions in any of the courts of the jurisdiction in which the Property is situated on account thereof, against or affecting the Property that have been received by Seller as of the Date of Ratification shall be complied with by Seller, and the Property conveyed free thereof. Seller states that, to the best of Seller's knowledge, all such notices and prosecutions are as set forth herein, if any. Purchaser agrees that, except as expressly provided herein, Seller has made no representation, warranty or other statement as to the physical condition, operation or any other matter or thing affecting the Property. Purchaser has inspected the Property, is fully familiar with the condition thereof, and Purchaser agrees to take the property AS-IS as of the Date of Ratification, subject, however, to the following exceptions: **NONE**. Seller shall: (a) deliver the Property is substantially the same physical condition as of the Date of Ratification; (b) not defer normal maintenance of the Property during the period from the Date of Ratification to the date of settlement; and (c) not enter into, modify or terminate any maintenance or service contracts relating to the Property prior to the date of settlement without the prior written consent of Purchaser.

17. TERMITE INSPECTION. At purchaser's option, the Purchaser at the Purchaser's expense may furnish a written report from a pest control firm.

18. CHOICE OF LAW. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto shall be governed by and construed in accordance with the laws of the jurisdiction in which the Property is located.

19. ACCEPTANCE; DATE OF RATIFICATION. The effective date of this Agreement ("Date of Ratification") shall be the date on which this Agreement is ratified and accepted as aforesaid.

20. BINDING EFFECT; ENTIRE AGREEMENT. Purchaser and Seller mutually agree that this Agreement shall be binding upon them, and their respective heirs, executors, administrators, successors and assigns; that the provisions hereof shall survive the execution and delivery of the deed aforesaid and shall not be merged therein; that this Agreement contains the final and entire Agreement between the parties hereto, and that they shall not be bound by any terms, conditions, statements, warranties, or representations, oral or written express or implied, not herein contained.

21. ASSIGNMENT. This Agreement shall be assignable by either party hereto without the consent of the other.

22. GRANTEE. The Property is to be conveyed in the name(s) to be designated in writing by Purchaser prior to settlement.

23. PURCHASER BROKER. The Seller recognizes DANIEL CROSBY, LICENSED AGENT WITH DRACHMAN REAL ESTATE (the "Broker") as the agent negotiating the transaction, a commission for services rendered amounting to **THREE PERCENT 3.0%** of the gross Purchase Price set forth herein. The amount of commission, as aforesaid, is hereby assigned to the Purchaser Broker by Seller out of the proceeds of sale and the Deposit.

24. ADDITIONAL PROVISIONS. Special provisions in the attached Addendum, bearing the signature of all parties hereto, and all plats and surveys attached hereto, are incorporated herein and made a part hereof. Addendum attached: X yes, ___ no; Plat attached ___ yes, X no; Survey attached ___ yes, X no.

25. **PRONOUNS.** The word "Seller," "Purchaser," all pronouns and any violations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or entity and the context may require.

26. **NOTICES.** All notices required or permitted herein shall be in writing and effective as of the date on which such notice is mailed in any United States post Office, by certified or registered mail, postage prepaid, or hand-delivered to Seller, the Agent or Purchase (as shall be applicable) at the address designated herein, or to such other addresses as the parties may designate in writing from time to time.

27. **UNDERGROUND STORAGE TANK DISCLOSURE.** In accordance to D.C. Code Section 8-113.02, prior to entering into a contract of sale, a seller of real property in the District of Columbia is required to inform prospective buyers of an existence of underground storage tanks on the property or the prior removal of underground storage tanks during the seller's ownership of the property, of which seller has knowledge. If the sale is of commercial property, the statute also requires a seller to inform a purchaser of any prior use of the property of which the seller has actual knowledge which suggests the existence of tanks on the property. The parties acknowledge that prior to the execution of this Agreement, Seller informed Purchaser that Seller has no knowledge of the current existence or non-existence of underground tanks nor any actual knowledge of any use which suggest the existence of tanks on the property.

28. **LEAD-IN PAINT DISCLOSURE**

A. **Lead Warning Statement.** Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the Purchaser with any information on lead-based paint hazards from risk ass

B. **Seller's Disclosure.** Seller discloses that, to the best of Seller's knowledge, there is not lead-based paint present at the Property. If applicable, Seller has provided a copy of such reports to Purchaser, or will do so with delivery of the property documents, or will inform Purchaser in writing that Seller does not have such reports.

C. **Purchaser's Acknowledgment.** Purchaser acknowledges that it has received (or will receive in connection with delivery of the property documents) the reports described above. Purchaser acknowledges receipt of the pamphlet Protect Your Family from Lead in Your Home, which can also be found at <http://www.epa.gov/lead/pubs/leadpdf.pdf>.

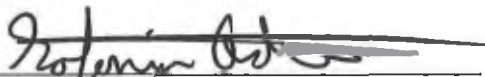
29. **SOIL DISCLOSURE.**


A. The characteristic of the soil on the Property, as described by the Soil Conservation Service of the United States Department of Agriculture in the Soil Survey of the District of Columbia published in 1976 and as shown on the Soil Maps of the District of Columbia at the back of that publication, is Urban Land.

B. For further information, Purchaser can contact a soil testing laboratory, the District of Columbia Department of Environmental Services or the Soil Conservation Service of the Department of Agriculture.

WE, THE UNDERSIGNED, HEREBY RATIFY, ACCEPT AND AGREE TO THE ABOVE AND ACKNOWLEDGE IT TO BE OUR AGREEMENT. THIS IS A LEGALLY BINDING AGREEMENT, AND PURCHASER AND SELLER SHOULD SEEK COMPETENT LEGAL ADVICE BEFORE SIGNING.

Purchaser: EQUILIBRIUM TERRACE MANOR LLC Seller: TERRACE MANOR, LLC, a Delaware limited liability company


By: Sofonias Astake, Managing Member


By: A-CAROL Nowak
Name:
Title: MEMBER

DATE OF RATIFICATION AND ACCEPTANCE (DATE OF RATIFICATION): 6-28-16

ADDENDUM

1. In the event that Settlement does not occur within ninety (90) days following the Date of Ratification, Seller, at its option, may commence renovation of the vacant units in the Property. The cost of any such renovations which Seller becomes obligated to pay or has in fact paid shall be added to the Purchase Price at Settlement and paid by the Purchaser, together with the Purchase Price. Notwithstanding the foregoing, Seller shall obtain Purchaser's approval prior to commencing any such renovations. In the event, seller and purchaser are unable to agree on construction scope and cost, the purchaser and the seller reserve the right to declare contract void and purchaser will be entitled to full refund of earnest money deposit.
2. In the event the TOPA rights are transferred to the purchaser, EQUILIBRIUM TERRACE MANOR LLC, or related entity, under this contract, the settlement timelines outlined in paragraph j 11. will remain in effect.
3. In the event that the tenants invoke their TOPA rights and subsequently default on their new contract, the purchaser reserves the right to close on the terms of their originally ratified purchase contract.



Sofonias Astatke - Equilibrium Terrace Manor LLC



EXHIBIT

D

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT ("Agreement") is made as of the 23rd day of June 2017 (the "Effective Date"), by and between Terrace Manor LLC, a District of Columbia Limited Liability Company ("Seller"), and 3341 23rd, LLC, a District of Columbia limited liability company ("Purchaser"). Seller and Purchaser may be referred to individually as a "Party" or collectively as the "Parties."

RECITALS:

WHEREAS, Seller is the owner in fee simple of that certain real property located at 3341-3353 23rd Street SE Washington, DC, 3371-3373 23rd Street SE and 2270, 2272 and 2276 Savanah Street SE Washington, DC, known for assessment purposes as Lots 0003, 0004, 0005 in Block 5894, improved with 61 rental units, together with any other improvements, rights, alleys, ways, waters, privileges and easements, furniture, fixtures, equipment and personal property, except personal property that is owned by tenants (collectively the "Property"); and

WHEREAS, Seller desires to sell the Property to Purchaser, and Purchaser desires to purchase the Property from Seller, for the Purchase Price, as set forth below, and upon the terms and conditions hereinafter set forth.

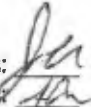

NOW THEREFORE, in consideration of the mutual promises hereinafter set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1) **Incorporation of Recitals.** The foregoing Recitals to this Agreement are incorporated into and will constitute a part of this Agreement.

2) **Assignment.** Notwithstanding anything herein to the contrary, Purchaser will have the right, upon notice to Seller, to assign all of Purchaser's rights, obligations, and interests under this Agreement to a "special purpose entity" of which Purchaser, or any member of Purchaser, is an owner. In the event of any such assignment by Purchaser, Purchaser will become a guarantor of the assignee's obligations under this Agreement. Any other assignment of this Agreement by Purchaser will require Seller's written consent, which consent may be withheld in Seller's sole and subjective discretion.

3) **Purchase Price.** The purchase price for the Property is Five Million nine hundred thousand (\$5,900,000) ("Purchase Price"), which is payable in full at Closing, as defined below.

4) **Deposit.** Within six (6) business days after the Effective Date, Purchaser will deposit with MBO Settlements (the "Title Company") the sum of [One Hundred and Sixty Thousand Dollars] (\$160,000). This amount and any interest earned thereon prior to Closing will be referred to as the "Deposit" and will be applied to the credit of, or delivered to, Purchaser or Seller in accordance with the terms of this Agreement.

Purchaser's Initials: 
Seller's Initials: 

5) **Closing.** Unless otherwise mutually agreed in writing by the Parties, Closing will be held at the office of the Purchaser or a location to be decided on the later of (a) the 15th of August 2017; or (b) ten (10) days after approval of this Agreement by the court, subject to Seller's compliance with its obligations under paragraph 10, below, and Purchaser's receipt of a satisfactory report on title. As used in this Agreement, (i) "Closing Date" means the date on which Closing is to occur pursuant to this paragraph 5, and (ii) "Closing" means the consummation of the purchase and sale of the Property and related transactions contemplated by this Agreement in accordance with the terms and conditions of this Agreement.

6) **Property Documents.** Promptly after ratification of this Agreement, Seller will provide to Purchaser true copies of the following documents and materials: (a) leases and most current rent rolls for the Property; (b) all leases (including but not limited to contracts with housing authorities)(collectively the "Material Contracts"); (c) Removed (d) the most recent real estate tax and most recent 12 months of utility bills relating to the Property; (e) operating statements for the Property covering the previous two (2) year period; (g) rent control reports covering the previous two (2) year period; (items (a) through (h) all collectively, the "Property Documents").

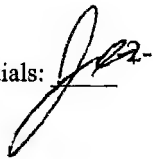
7) **Due Diligence.** Purchaser has completed all necessary due diligence. This Purchase and Sale Agreement has no contingencies and the Property is being sold "as-is".


8) **Representations and Warranties of Seller.** Except as set forth in Exhibit A, Seller represents and warrants to Purchaser that, to the best of its knowledge without investigation (and, if the Seller is other than a natural person, to the best of the knowledge of the person signing this Agreement on its behalf):

- a) The Property Documents provided to Purchaser are true and correct in all material respects as of the Effective Date.
- b) Purchaser has been given access to or been provided with all Material Contracts

9) **Representations and Warranties of Purchaser.** Purchaser represents and warrants to Seller that, to the best of its knowledge without investigation (and, if the Purchaser is other than a natural person, to the best of the knowledge of the person signing this Agreement on its behalf):

- a) Purchaser is validly existing and in good standing under the laws of the District of Columbia, is authorized to enter into this Agreement and consummate this transaction without further consent or approval of any other person or entity, and the consummation of this transaction will not breach or violate any contract or legal duty of Purchaser.
- b) Purchaser has the financial wherewithal to fulfill its obligations hereunder and has provided Seller with accurate financial information concerning its condition.

Purchaser's Initials: 

Seller's Initials: 


- c) Purchaser has no knowledge of any litigation pending or threatened against it that could adversely affect its ability to carry out its obligations hereunder.
- d) Purchaser is not acting directly or indirectly for, or on behalf of, any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specifically Designated National and Blocked Person," or other banned or blocked person, entity, or nation pursuant to any law that is enforced or administered by the Office of Foreign Assets Control and is not engaging in the transaction described herein, directly or indirectly, on behalf of, or instigating or facilitating the transaction described herein, directly or indirectly, on behalf of any such person, group, entity or nation.

10) **Conversion and Sale Act.** NA

11) **Conditions Precedent to the Obligations of Purchaser.** The obligation of Purchaser to purchase the Property pursuant to the provisions of this Agreement is subject to the following conditions (all or any of which, in whole or in part, may be waived in writing by Purchaser): (a) The representations and warranties made by Seller herein are true and correct in all material respects when made and, in the case of representations and warranties that apply after they are made, they are true and correct as of the Closing; (b) on the Closing Date, the condition and status of title to the Property is as stated and required hereunder, and the Title Company has issued a title policy, or an unconditional commitment to issue same, reflecting the condition and status of title required hereunder, which title policy will not contain any exceptions for any matters related to the Conversion and Sale Act. If any of these conditions is neither satisfied nor waived by Purchaser, as of the Closing Date, so long as Purchaser has satisfied its obligations under this Agreement, Purchaser may: (i) terminate this Agreement by delivering notice to Seller on the Closing Date, in which case (A) Title Company will promptly deliver the Deposit to Purchaser, (B) Seller will, if the failure to satisfy the conditions was within Seller's control, reimburse Purchaser for costs reasonably incurred by Purchaser for due diligence, financing, and purchase of the Property, (C) this Agreement will terminate, and (D) the parties will have no further obligations hereunder; (ii) elect to postpone the Closing until such condition is satisfied, but in no event for more than 30 days; or (iii) proceed to Closing notwithstanding the non-satisfaction of the condition(s) precedent, in which event the Purchaser will be deemed to have waived such condition(s).

12) **Title.**

- a) **Seller Deliveries at Closing.** At Closing, Seller will deliver to the Title Company the following: (i) a duly executed original certificate of "non-foreign" status; (ii) a duly executed assignment of all current leases, warranties, guarantees, and other contracts that will remain in force after closing to Purchaser; (iii) to the extent in Seller's possession, custody, or control and not previously delivered to the Title Company: (A) any plans and specifications for the improvements on the Property; (B) all unexpired warranties and

Purchaser's Initials: 

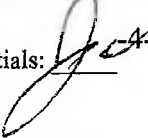
Seller's Initials: 


guarantees Seller has received in connection with any work or services performed on, or equipment installed in, the Property; (C) all keys, key fobs, key cards, and other access devices for the Property; (D) originals of all current leases; (E) all correspondence to or from any current tenants relating to their lease; (F) originals of all contracts that will remain in effect after the Closing; and (G) all correspondence relating to the on-going operations and maintenance of the Property; and (H) any and all surveys or plats of the properties and title insurance documents for the properties; (iv) such additional documents as reasonably may be required by Title Company in order to consummate the transactions hereunder; and (v) in conjunction with Purchaser, (A) a closing statement reflecting the Purchase Price, the adjustments and prorations required hereunder, and the allocation of income and expenses required hereby; and (B) such additional transfer tax forms as may be required by the District of Columbia and any other governmental authorities.

- b) Purchaser Deliveries at Closing. At Closing, Purchaser will deliver to the Title Company the following: (i) the Purchase Price in immediately available funds; (ii) such additional documents as reasonably may be required by Seller and Title Company in order to consummate the transaction contemplated by this Agreement; and (iii) in conjunction with Seller, (A) a closing statement reflecting the Purchase Price, the adjustments and prorations required hereunder, and the allocation of income and expenses required hereby; and (B) such additional transfer tax forms as may be required by the District of Columbia and any other governmental authorities.
- c) Prorations and Closing Costs. Seller and Purchaser will prorate, as of midnight on the day before the Closing Date (the "Apportionment Date"), all rents and all other proratable items including, without limitation, taxes, utilities, permit fees, insurance, and other costs relating to the ownership and operation of the Property, regardless of current collection status. Purchaser will be responsible for arranging for utility service providers to change accounts to Purchaser's name as of the Closing Date. The prorations and payments will be made on the basis of a written statement submitted to Purchaser and Seller by Title Company at least three (3) business days prior to the Closing Date and approved by Purchaser and Seller. The applicable District of Columbia Deed Recordation Tax and Real Property Transfer Tax will be shared equally by Purchaser and Seller. Except as may otherwise be provided in this Agreement, expenses of examination of title, title insurance, conveyancing, settlement fees, tax certificates, notary fees, and recording fees will be paid by Purchaser. Each party will pay its own attorneys' fees.

14) Disposition of Deposit upon Default

- a) Default by Seller. If, solely by reason of Seller's default under this Agreement, Closing does not occur, then (i) Seller will promptly direct the Title Company to disburse the Deposit to Purchaser, (ii) will reimburse Purchaser for costs reasonably incurred by Purchaser for due diligence, financing, and purchase of the Property, if required by the terms in paragraph 11 above, and (iii) neither party will have any further obligation or

Purchaser's Initials: 

Seller's Initials: 

liability to the other except for such obligations that expressly survive such termination hereunder. Notwithstanding the foregoing, if Purchaser has fully performed its obligations under this Agreement and remains ready, willing, and able to complete the transaction if Seller would perform its obligations, then, Purchaser may, within 60 days after the Closing Date, elect to bring an action for specific performance to enforce this Agreement.

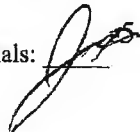
- b) Default by Purchaser. If, solely by reason of Purchaser's default under this Agreement, Closing does not occur, Purchaser will promptly direct the Title Company to disburse the Deposit to Seller as liquidated damages. Except for the provisions of this Agreement that expressly survive termination, the receipt of the Deposit will be Seller's sole and exclusive remedy for Purchaser's default under this Agreement. The Parties agree that Seller's actual damages would be impossible to determine because the Property will have been removed from the market.
- c) Default by Purchaser and Seller. If Closing does not occur because of defaults by both Seller and Purchaser, then Seller will promptly direct the Title Company to disburse the Deposit to Purchaser and neither party will have any further obligation or liability to the other except for such obligations that expressly survive such termination hereunder.

15) Condemnation or Destruction of Property. Seller will bear the risk of loss until the Closing and will promptly notify Purchaser of any casualty or other material harm to the Property. In the event of a casualty that cannot be substantially repaired before the Closing, or a taking by eminent domain, Purchaser will have the right either to terminate this Agreement and promptly receive the Deposit by delivering written notice to Seller within 10 days of Seller's notice of casualty or other material harm to the Property or to proceed to Closing and receive a credit to the Purchase Price in an amount mutually agreeable to Purchaser and Seller.

16) Purchaser's Provision of Materials Following Termination of this Agreement. If, in accordance with the terms of this Agreement, either Purchaser or Seller elects to terminate this Agreement, then, within 10 business days following such election, and provided Purchaser has received the Deposit if Purchaser is entitled thereto, Purchaser will: (i) promptly return to Seller all Property Documents, any copies of Property Documents, and the originals and copies of any other documents provided by Seller to Purchaser in accordance with the terms of this Agreement; and (ii) if Seller has reimbursed Purchaser for reasonable costs actually incurred related to the due diligence, financing, and purchase of the Property, promptly provide Seller with copies of all third party reports and other due diligence materials regarding the Property then in the possession, custody, or control of Purchaser. This provision and the obligations set forth therein will survive termination of this Agreement.

17) Notices. All notices and other communications hereunder will be in writing and will be deemed to have been duly given (i) upon receipt, if delivered by hand,

Purchaser's Initials:



Seller's Initials:



(ii) three (3) days after mailing, if mailed, postage prepaid, by certified mail, return receipt requested, (iii) on the date delivered by facsimile transmission, provided a copy of such notice is simultaneously sent by certified mail, return receipt requested, and the sender does not receive an indication that the facsimile transmission was unsuccessful, or (iv) upon actual delivery if sent by Federal Express, USPS Express Mail, or other nationally recognized overnight courier. Notices and other communications will be sent to the following addresses and facsimile numbers, which may be changed at any time by notice to the other Party:

a) if to Seller, addressed to:

b) if to Purchaser, addressed to:

18) **Benefit of Agreement**. This Agreement will inure to the benefit of and be binding upon the Parties and their respective heirs, administrators, executors, successors, and permitted assigns.

19) **Integrated Agreement**. This Agreement contains the entire agreement between the Parties and there are no promises, agreements, conditions, undertakings, warranties, or representations, oral or written, express or implied, between them other than as herein expressly contained. This Agreement may neither be amended, modified, supplemented nor may any of the obligations of Seller or Purchaser hereunder be waived except by a written agreement signed by the Party or Parties to be charged. No waiver of any of the provisions of this Agreement will be valid unless in writing and signed by the Party against whom it is sought to be enforced.

20) **Court Approval**. This Agreement is subject to the approval of the United States Bankruptcy Court for the District of Columbia in the Matter of In Re: Terrace Manor, Case No. 17-00175. In the event that court approval is not obtained, then this document shall be deemed terminated and the deposit shall be returned to the Purchaser.

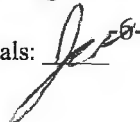
21) **Controlling Law**. This Agreement will be construed and interpreted in accordance with the laws of the District of Columbia without regard to its choice of law provisions.

22) **One Agreement**. This Agreement may be executed in counterparts, and all counterparts so executed will constitute a single agreement, which will bind the Parties notwithstanding that all of the Parties have not signed the original or the same counterpart. For all purposes of this Agreement, faxed, electronic, scanned, e-mailed, and other electronic media format signatures will be binding and effective.

23) **Headings**. The paragraph headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning of the language thereof.

24) **Severability**. If any term of this Agreement is to any extent illegal, otherwise invalid, or incapable of being enforced, such term will be excluded to the extent of

Purchaser's Initials:



Seller's Initials:



such invalidity or unenforceability; all other terms of this Agreement will remain in full force and effect; and, to the extent permitted and possible, the invalid or unenforceable term will be deemed replaced by a term that is valid and enforceable and that comes closest to expressing the intention of such invalid or unenforceable term. If application of this Severability provision materially and adversely affects the economic substance of the transactions contemplated hereby, the entire Agreement will be deemed invalid and the Parties will, to the extent reasonably practicable, be restored to their pre-Agreement positions.

25) **No Construction Against Drafter**. Seller and Purchaser each acknowledge that they have had the opportunity to have this Agreement reviewed and negotiated by legal counsel of their choosing and that each has participated equally in the negotiation and drafting of this Agreement. Accordingly, the Parties agree that the rule of construction against the drafter will not apply to this Agreement.

26) **Underground Storage Tank Disclosure**. In accordance with D.C. Code Section 8-113.02, prior to entering into a contract of sale, a seller of real property in the District of Columbia is required to inform prospective buyers of the existence of underground storage tanks on the property or the prior removal of underground storage tanks during the seller's ownership of the property, of which seller has knowledge. If the sale is of commercial property, the statute also requires a seller to inform a purchaser of any prior use of the property of which the seller has actual knowledge that suggests the existence of tanks on the property. The Parties acknowledge that, prior to the execution of this Agreement, Seller informed Purchaser that Seller has no knowledge of the existence or non-existence of underground tanks nor any actual knowledge of any prior use that would suggest the existence of underground storage tanks on the Property.

27) **Lead-in-Paint Disclosure**. Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the purchaser with any information on lead-based paint hazards from risk assessment or inspections in the seller's possession and notify the purchaser of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended to Purchaser prior to purchase. Seller discloses that, to the best of Seller's knowledge, there is not lead-based paint present at the Property. If applicable, Seller has provided a copy of such reports to Purchaser or will do so with delivery of the Property Documents or will inform Purchaser in writing that Seller does not have such reports. Purchaser acknowledges that it has received the pamphlet *Protect Your Family from Lead in Your Home*, which can also be found at <http://www.epa.gov/lead/pubs/leadpdf.pdf>.

Purchaser's Initials:



Seller's Initials:



28) **Soil Disclosure**. To the best of Seller's knowledge without investigation, the characteristic of the soil on the Property is as described by the Soil Conservation Service of the United States Department of Agriculture in the Soil Survey of the District of Columbia published in 1976 and as shown on the Soil Maps of the District of Columbia at the back of that publication. For further information, Purchaser can contact a soil testing laboratory, the District of Columbia Department of Environmental Services, or the Soil Conservation Service of the Department of Agriculture.

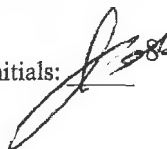
29) **Title Company Provisions**. In the event of any dispute between Seller and Purchaser regarding the disbursement of the Deposit, or in the event Title Company receives conflicting demands or instructions with respect to the disbursement of the Deposit, Title Company shall withhold disbursement of the Deposit until it receives either (i) joint written instructions from Seller and Purchaser with respect to the disbursement of the Deposit or (ii) a final, non-appealable, unstayed order binding upon it from a court of competent jurisdiction with respect to the disbursement of the Deposit. Notwithstanding the foregoing, in the event of any such dispute or conflicting demands or instructions, Title Company will have the right to interplead the Deposit into the registry of any court of competent jurisdiction, and Title Company will thereupon be released from any further liabilities or obligations with respect to the Deposit. Title Company will receive no compensation for its services performed pursuant to this Agreement except for reasonable attorneys' fees and costs incurred as a result of any dispute between Seller and Purchaser. Such fees and costs will be borne by the Party or Parties adjudged by a court or competent jurisdiction to have responsibility therefor. Title Company may act upon any instrument or writing believed by it in good faith to be genuine and executed by the proper person and will not be liable in connection with the performance of its duties except in the event of the willful misconduct or gross negligence of Title Company, its agents, or its employees.

30) **Disputes Between Seller and Purchaser**. In the event of a dispute between Seller and Purchaser that results in litigation, and notwithstanding any limitation set forth in this Agreement on the liability of any Party, the prevailing party in the litigation will be entitled to an award from the non-prevailing party that includes all reasonable fees and expenses (including, without limitation, court costs and attorneys' fees) incurred by it in preparing for, and prosecuting or defending, the litigation. Unless otherwise agreed by the Parties, a Party that voluntarily dismisses claims is, for purposes of those claims, a non-prevailing party and the other Party is a prevailing party.

31) **No Waiver**. No waiver by either Party of any failure or refusal by the other Party to comply with its obligations hereunder will be deemed a waiver of any other or subsequent failure or refusal to so comply.

32) **Recordation**. Neither this Agreement nor any memorandum or notice of this Agreement may be recorded by any Party without the prior consent of the other Party. The provisions of this Article 22 will survive Closing or any termination of this Agreement.

Purchaser's Initials:



Seller's Initials:



33) **Waiver of Jury Trial.** Seller and Purchaser hereby waive trial by jury in any action, proceeding, or counterclaim arising out of, or in any way connected with, this Agreement.

34) **Time is of the Essence.** Time is of the essence with respect to each and every obligation under this Agreement.

35) **Confidentiality.** Unless otherwise agreed to herein or in writing by Seller, Purchaser will keep confidential all documents, financial statements, reports, or other information provided to, or generated by any Party relating to the Property and will not disclose any such information to any person other than (a) members, partners, or investors of Purchaser; (b) those who are actively and directly participating in the evaluation of the Property and the negotiation and execution of this Agreement; and (c) those necessary to obtain Purchaser's financing of the Property. Purchaser agrees that, except as required by law, it will not disclose any code compliance, environmental, or other regulatory matters to governmental or other authorities without the express prior written approval by Seller, which may be granted or denied in its sole discretion. The provisions of this Article 25 will survive the termination of this Agreement other than by Closing.

36) **Tax Deferred Exchange.** NA

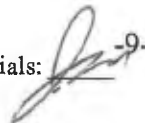
37) **Reimbursement For Capital Expenditures.** If Seller is instructed to make certain capital expenditures for the protection of the tenants residing in the property, Seller shall notify Purchaser and Purchaser shall have the right to approve or disapprove the work. If Purchaser approves, all costs relating to that work, shall be added to the purchase price of this Agreement. In the event, seller and purchaser are unable to agree on construction scope and cost, the purchaser and the seller reserve the right to declare contract void and purchaser will be entitled to full refund of earnest money deposit.

38) **Commission.** No real estate agent or broker is entitled to any fee for this transaction. 3% of the purchase price will be credited to Purchaser on the HUD1 at settlement of the Property.

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[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

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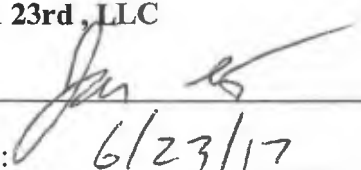
Seller's Initials:



IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first hereinabove written.

PURCHASER:

3341 23rd, LLC

By: 

Date: 6/23/17

Name: Jason Stern, Member 3341 23rd LLC

SELLER: Terrace Manor LLC

By: 

Date: 6-23-17

Name: A. CARTER NOWELL

Purchaser's Initials: 

-10-

Seller's Initials: 

EXHIBIT A

Exceptions to Seller's Representations and Warranties





Purchaser's Initials: 
Seller's Initials: 

EXHIBIT B

Exceptions to Purchaser's Representations and Warranties

Purchaser's Initials: 
Seller's Initials: 



What started in 2012 with just a single condo unit, Kaye Stern Properties has now grown to manage an impressive 300 unit portfolio of properties exclusively in Washington, D.C. Kaye Stern Properties was created based on the philosophy that safe, affordable housing can work to improve the lives of the people who live in the community.

By giving D.C. Residents a high-quality, safe and affordable place to call home, we treat our residents exactly as we would want to be treated.

By having the peace of mind you need and a property management team you can trust, Kaye Stern Properties works diligently to offer you the most comprehensive, flexible and involved management team available. In fact, most of our communities have a dedicated maintenance team member assigned to them.

A Little About Kaye Stern Properties

Our friendly management staff of 13 is here to assist you with all your needs from start to finish, providing you with customer satisfaction at the highest rate. We take pride in our properties, and work closely with you to build a relationship based on trust and mutual respect. With a small, close-knit staff, we can offer you a personal touch to all your residential needs.

A list of unique features offered to our residents, not only for their personal security, but also an improved quality of living:

- We develop and manage our own properties
- We offer a 24-hour emergency maintenance hotline
- We install and monitor a full security camera system at each property
- We install 100% LED lighting in all common areas, exterior lighting and any in-unit to save you money
- We continually maintain and improve existing plumbing and electrical systems to better the lives of our residents
- We meet with every resident of new properties to assess any outstanding repairs and ensure each and every unit is brought to proper housing codes and quality of workmanship our residents expect

Since we opened our company, we've been recognized by city officials for our profound achievements, with our unique ability to uplift and transform many communities within D.C.. Most notably, one of our communities was in need of major repairs and improvement to security, with a reported 1 violent crime per week on the premises prior to ownership. **In the eighteen months since we've acquired the developed property, there have been no crimes reported, a profound achievement to the Southeast community where the community is located.**

As a triple bottom line developer, it is our personal belief in social good, economic good and environmental good. Not only do we strongly support affordable housing, but we maintain a healthy relationship with the government in D.C., working together to enrich and improve the lives of tenants residing in our communities.

When we hire, we look to our community, and have employed several residents to become a part of our team who share our vision to improve the lives of others. We understand the importance of education and healthcare, and we offer our employees both education incentives and benefits for those who choose to elevate themselves further. Kaye Stern Properties proves to their residents and employees that choosing in them is a decision they will not regret.

Mission Statement:

Our goal is to make the lives better of those who choose to live in our properties. By offering individuals safe, high quality and affordable housing, we work hard to earn the trust of our residents for their lifetimes.



Tenants,

Kaye Stern Properties wants to introduce themselves to you! We're hoping to work closely with you in upcoming months to make living in a KS Property the best experience it can be.

We provide:

- In house construction & design for common areas & renovated units
- 24/7 maintenance and daytime office staffing

Our fully integrated management and ownership team:

- Head Property Manager
- Assistant Property Manager
- General Contractor
- Maintenance Supervisor
- Maintenance Coordinator



COMPANY GOALS

• COMMUNITY SAFETY & SECURITY

KS Properties holds resident safety as a top priority for all of our communities. We want to develop a comprehensive safety and security plan for the residents.

• INDIVIDUAL ISSUES

KS Properties wants to hear from any resident that has an issue within their unit so it can be addressed immediately. This includes kitchens, bathrooms, flooring, drywall, ceiling, paint, electrical etc. Let us know what we can do to improve your quality your unit.

• DEFERRED MAINTENANCE

KS Properties wants to know what infrastructure needs to be repaired or improved. This includes community wide plumbing issues, electrical issues, roof issues, parking area issues, structural issues, balconies, etc.

• COMMUNITY IMPROVEMENTS

KS Properties wants to continually improve your quality of life. What amenities do residents want to have in the future in order to continue improving their quality of life?

202.750.6155



RIVEREAST.COM

EXHIBIT

E

TERRACE MANOR, LLC

LIQUIDATION ANALYSIS¹

Sale Price		\$5,900,000
Closing Costs:		
Credit at Closing	\$ 177,000	
Other Costs	<u>25,000</u>	<u>202,000</u>
		\$5,698,000
Administrative Expenses:		
Professional Fees	\$ 350,000	
Loan From Sanford	<u>100,000</u>	<u>450,000</u>
		\$5,248,000
Payments to Creditors:		
Class 1 – D.C. Taxes	\$ 30,000	
Class 2 – Eagle Bank	2,900,000	
Class 3 – Other Secured Claims	-0-	
Class 4 – CPPA Claim	400,000 ²	
Class 5 – General Unsecured Claims	38,000	
Class 6 – Sanford & Oakmont	<u>1,500,000</u>	<u>\$4,868,000</u>
Equity		<u>\$ 380,000</u>

¹ All costs and expenses as well as claims represent a good faith estimate by the Debtor.

² While the Debtor believes that this claim has no value, it has been estimated at the maximum amount that could possibly be recovered.